MARKET GROWS INCREASINGLY VULNERABLE

SOCIAL SCIENCES

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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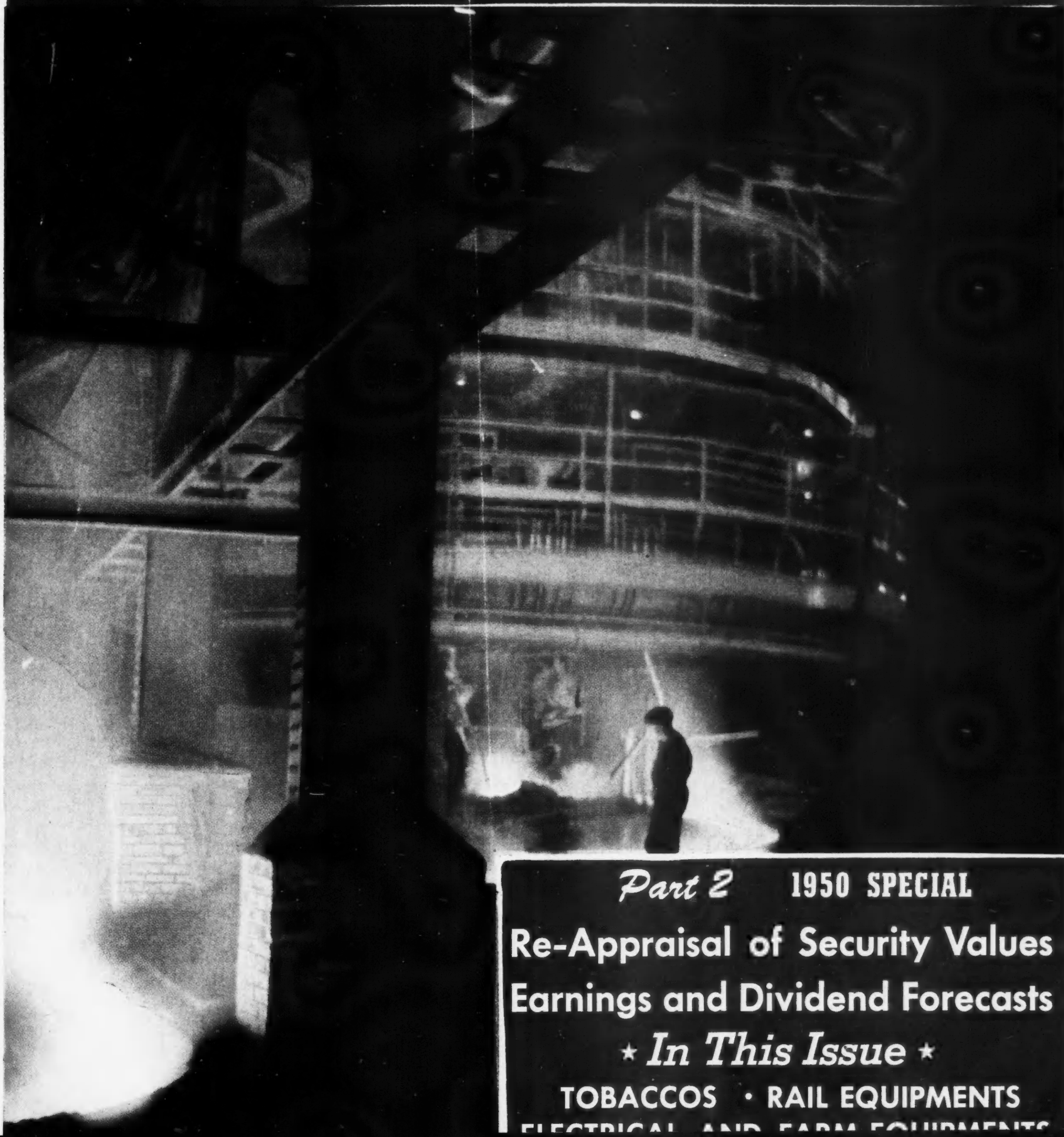

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THE MAGAZINE OF WALL STREET

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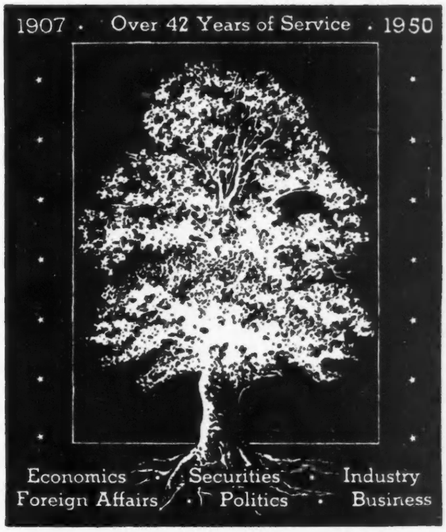


The Trend of Events

NEED FOR STABLE DOLLAR . . . The last half century may have been the period of the greatest economic growth in American history, but it also was marked by a wider rise in living costs, and hence in depreciation of the dollar's purchasing power, than in any previous period back to 1820. As a result, with all its soundness as a currency, the dollar today will buy only a third as much as it did in 1900. This is a sobering fact, with profound social and economic implications for the future.

From now on, the welfare of millions of people will be synonymous with greater stability of the dollar's purchasing power. This is implicit in the entire structure of savings and protection that the people have built up for themselves for the years to come—savings accounts, life insurance, the Social Security System, and the growing pension movement in private industry.

All these protective measures lose much of their meaning and effectiveness if the dollar's purchasing power continues to slide. Were it to decline over the next half century as it did during the first half, even in part, it would be a disaster of the first magnitude for the average American family as well as the nation at large. The trend towards state-guaranteed security then would become irresistible.

The conclusion is inescapable that a major task facing the nation from here on is the maintenance of the soundness of the dollar and the stability of its purchasing power. It is from this point of view that chronic Government budget deficits, constant increases in production costs and other price-boosting factors must be appraised and understood. A bigger economy alone, even the trillion-dollar gross national product visualized by the President, won't fill the bill if it stems primarily from more inflation rather than bigger production, and is achieved at the expense of the value of the dollar and the integrity of public credit.

The future stability of the dollar is vital to all security programs, whether private or public. Without it, the task of providing for the future is much like fighting wind mills—you cannot win. And once the task is recognized as hopeless, the door is wide open to full-fletched socialism, and misery and suffering for all.

END PRICE SUPPORTS FOR "PERISHABLES" . . . Conscious of the potato and egg support scandal and fearful of public wrath over potato dumping, certain law makers appear more receptive to moves in Congress to end price supports for "perishables," lest the clamor for action extend against high price-propping even for storable crops. Plainly, without strict production curbs, the Government faces more losses, and it stands to reason that with losses mounting to unconscionable figures, farm price support is bound to lose heavily in public favor.

Thus the Senate Agriculture Committee has introduced a bill to repeal price supports for potatoes except when marketing quotas are in effect, with the aim to hold down production and avoid costly sur-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's market, don't miss it!

pluses; and this action was followed immediately by introduction of another bill to authorize market quotas for potatoes upon approval of two-thirds of the growers affected.

Now, why wasn't something like that done long ago? Why was it necessary for the Government to incur a loss of some $350 million on the 1948 and 1949 potato crops alone, quite apart from huge losses on other farm commodities, before someone saw the light and decided to do something?

The answer of course is that this latest action was motivated by fear rather than common sense, fear that the public outcry against a senseless farm price support policy might threaten the entire farm program. It wasn't so much, as Senator Lucas stated, to end the "unholy and unjustifiable subsidies" now received by the potato growers. If these are "unholy and unjustifiable" now, they have been so long ago. It was simply the need to do something to assuage public ire over the irresponsible waste of taxpayers' money in the interest of a small minority.

The mentality responsible for that sort of thing is neatly revealed by Senator Brewster of Maine. The Senator is incensed because Canadian potato growers have been shipping millions of pounds to Southern ports where they have been selling cheaper than U. S. grown potatoes, including the Maine variety, and still fetched a nice profit for their shippers.

Is Senator Brewster incensed because Maine potatoes cannot compete with Canadian spuds on account of our ridiculous price support policy? Has he demanded that the Government let the price of home-grown potatoes fall far enough so that housewives in New Orleans, Jacksonville and other cities can buy them as cheaply as they're buying Canadian potatoes? Far from it. If you think so, you don't know the Senator. He demands immediate action by President Truman to stop importation of potatoes from Canada! Never mind the housewives, but potato prices must stay high.

PLACING THE RESPONSIBILITY . . . As this is written, the bituminous coal strike is nearing a settlement after an eight-month deadlock that precipitated the nation's worst coal crisis. The break comes none too soon. The issue had long passed the point where the dispute primarily concerned the miners and the coal operators. It had become a concern of the American people weeks ago.

Having learned the lesson that it doesn't pay to defy a Federal Court, Mr. Lewis has bowed reluctantly to court orders. Only his miners, irritated by the long weeks of cat-and-mouse tactics used by Mr. Lewis himself, remain in a belligerent mood to the last. Neither, it sems, have been conscious of their responsibility not to carry their quarrel to a point where it imperiled the general welfare. That sense of responsibility has been lacking throughout.

If one needed any demonstration of the prostration to which our industries can be reduced by autocratic labor leaders, Mr. Lewis has provided a stark lesson. And only the naive could believe that the refusal of the miners to return to work, after the injunction was issued, was a spontaneous reaction.

Doubtless they were bitter and discouraged but they are not disorderly rabble. The tight discipline that Mr. Lewis exercises over them could have stopped any "rebellion" the instant he chose to do so. If the mine owners were to accept the far-fetched alibi of a miners' revolt, they would have no logical reason for entering into a new contract with a union whose members "defy" their own leader.

What has encouraged Mr. Lewis and the miners to flout the Taft-Hartley Law after two losing attempts in the past to buck injunctions? When all the facts are considered, it becomes clear that the Administration's own attitude and policies have steadily undermined that law and thus set the stage for the latest crisis. The President has not only encouraged contempt for it, but has complied with its provisions weakly and tardily; and to the very last he held up contempt of court action against the United Mine Workers though such contempt was openly demonstrated. Moreover, he appointed a group of fact-finders which did everything but condone the unfair bargaining tactics of the union in its report to the President. In the circumstances, it is obvious where responsibility lies; it rests squarely upon the Administration.

This sorry experience which almost brought the nation's economy to near-paralysis, should nevertheless have some fruitful consequences. It is virtually certain that a fatal blow has been dealt to whatever hopes were left for enactment of the President's program for blanket repeal of the Taft-Hartley Act. That program, as it stands, can no longer be sold to a Congress conscious of the fact that constituents insist on some guarantee of Government recourse in their interest against strikes endangering the national welfare.

Mr. Lewis, more than any other labor leader, views the public interest as a weapon of economic pressure, and as long as he is able to manipulate it, others may be encouraged to ape his tactics. For this and other reasons, Taft-Hartley repeal is no longer a logical expectation. If organized labor dislikes this prospect, it has only Mr. Lewis to thank.

Labor will also have to thank Mr. Lewis if his latest show of irresponsibility brings mounting public insistence on measures to make repetition impossible. There is a basic need for Congress to set up regulations whereby "one man rule" of an entire industry is barred. And unless Congress acts to outlaw or control industry-wide bargaining, public demand for compulsory arbitration in basic industries will be difficult to reject.

Nor can the Administration be wholly satisfied. For Mr. Lewis, and he alone, forced the White House to break its long standing boycott of the Taft-Hartley Act. That makes it tough for the Administration to explain why the Act isn't needed, and why it shouldn't be strengthened. In view of all this, it seems to us that both the Administration and the labor unions are on the spot, thanks to Mr. Lewis who managed to render a great disservice to everyone concerned. As far as the public interest is concerned, it is up to Congress to act promptly and vigorously.

The need for this is made doubly apparent by the continued intransigeance of the United Mine Workers in disregarding their leader's second back-to-work order. Their avowed intention to stay out until they get a contract, if carried out, will make sterner measures inevitable. Their contempt of the Government and the public welfare is too obvious to ignore.

As I See It!

BY ROBERT GUISE

MR. MAO'S SELL-OUT

The Sino-Soviet treaty, actually a military and political alliance aimed against the West—and particularly the United States, has made the political control of the Kremlin from the Oder to the Pacific a grim fact. As one of the most fatefully significant events in world politics it cannot be laughed off and unfortunately, our own blundering contributed a great deal to its consummation. But it also must be viewed in proper perspective.

"GOING SOUTH FOR THE WINTER?"

("As Long As They Don't Pick the Florida Folder")

Long in the Minneapolis Tribune

Official Soviet communiques make it appear that the treaty will be based on something like equal partnership but only the naive will fall for this. Nor have these documents told the whole story. It does not require nine weeks to write a treaty in which one party offers picayune financial assistance to the other, and the gracious return of some part of the loot previously appropriated from the other's territory.

Rather, the treaty has all the earmarks of a complete sell-out by Mao Tse-tung, China's red leader, to the Soviet dictatorship. The price, in terms of what the Chinese people will have to pay, will become known only through the events of the coming years. And Mao will have to prove that he can collect the trivial compensation promised to him in return.

The promised withdrawal of Soviet troops from Port Arthur will have little meaning if, following the Polish pattern, Manchuria is to be garrisoned by Chinese troops under Russian officers. This makes it plain that the Kremlin henceforth will exercise in China the same sort of overlordship now maintained in Poland and most of the Balkan countries.

As far as the Chinese people are concerned, their troubles with Moscow have only begun. They are soon bound to learn (they haven't been told yet) of Soviet plans for the economic exploitation of the food resources of Manchuria—resources at the moment desperately needed by famine-stricken Central China. They will soon learn that in many ways, Mao has virtually sold them into Soviet slavery. The invisible parts of the agreement will gradually be brought home to them, and the chances are they won't like them.

In the end, it should prove another forceful object lesson to all those flirting with international communism. The latter recognizes no national interests, no right to sovereignty, no departure from the Kremlin line, no independent policy. The alternatives are complete submission or else deadly enmity. The Chinese, too, will have to learn that no nation has ever made an agreement with the Soviet Government that was a happy agreement for the nation concerned. In the end, Mao's bargain will hardly appeal to them.

But for the time being, it clearly kills whatever hopes there may have existed for any immediate development of Titoism, either in China or in Mao. The latter has now fully linked his fortunes with the Soviet aggressor and against the West, and thereby established a fixed point in Far Eastern policy. His sell-out to the Kremlin should make it easier for us to formulate proper policies and find the right answers in our efforts to hold a second front against communist expansion.

Asia asks for such action and we cannot delay much longer. This has been impressed on us with special force at the recent Bangkok conference. Mere moral support of Western sponsored regimes, which the Communist world is pledged to destroy, is not enough. Such regimes will not hazard their chances of national survival unless the West translates moral support into action. Barring the latter, the disillusionment spreading over Eastern Asia cannot be stopped, and unless it is stopped, and stopped soon, we shall lose Eastern Asia by default.

For this reason it would not do to underestimate the importance of the Sino-Soviet treaty; its impact on the nations of South Eastern Asia has been profound. But neither should we let it cripple our initiative. Mao's sell-out to the (*Please turn to page* 583)

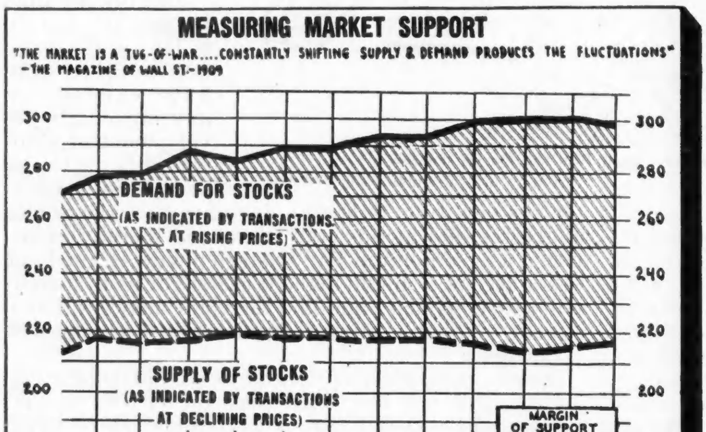
Market Grows Increasingly Vulnerable

The market was little changed on the fortnight. The net rise since early 1950 has been snail-like. Potentialities on the upward side appear quite restricted at best. Sterner tests for both the market and business probably are not far ahead. Investment policy should remain conservative, emphasizing sizable reserves in cash or equivalent.

By A. T. MILLER

After a slow downward drag for some days, the market rallied moderately in the final two trading sessions last week—the week ended February 18—on news reports that there had been some progress in negotiations looking to a settlement of the coal strike. The reports, put out by Federal observers, may have been optimistic. As we go to press, the actual prospect remains unclear.

Incredible as it may seem, Lewis has revealed his specific demands only within recent days, after eight months or so of slow-downs, partial strikes and full strikes. The demands were so extreme that it seems obvious they were advanced for bargaining purposes. The give-and-take maneuverings, after maximum labor demands have been made, generally take considerable time. Thus, while a quick settlement is possible, it is not probable unless both Lewis and the coal operators will greatly compromise the positions taken heretofore. Despite Lewis' second injunction-induced "order" to the men to go back to work, it is not evident, as this is being written, that the resumption of normal coal output is near.



Significance of the Strike

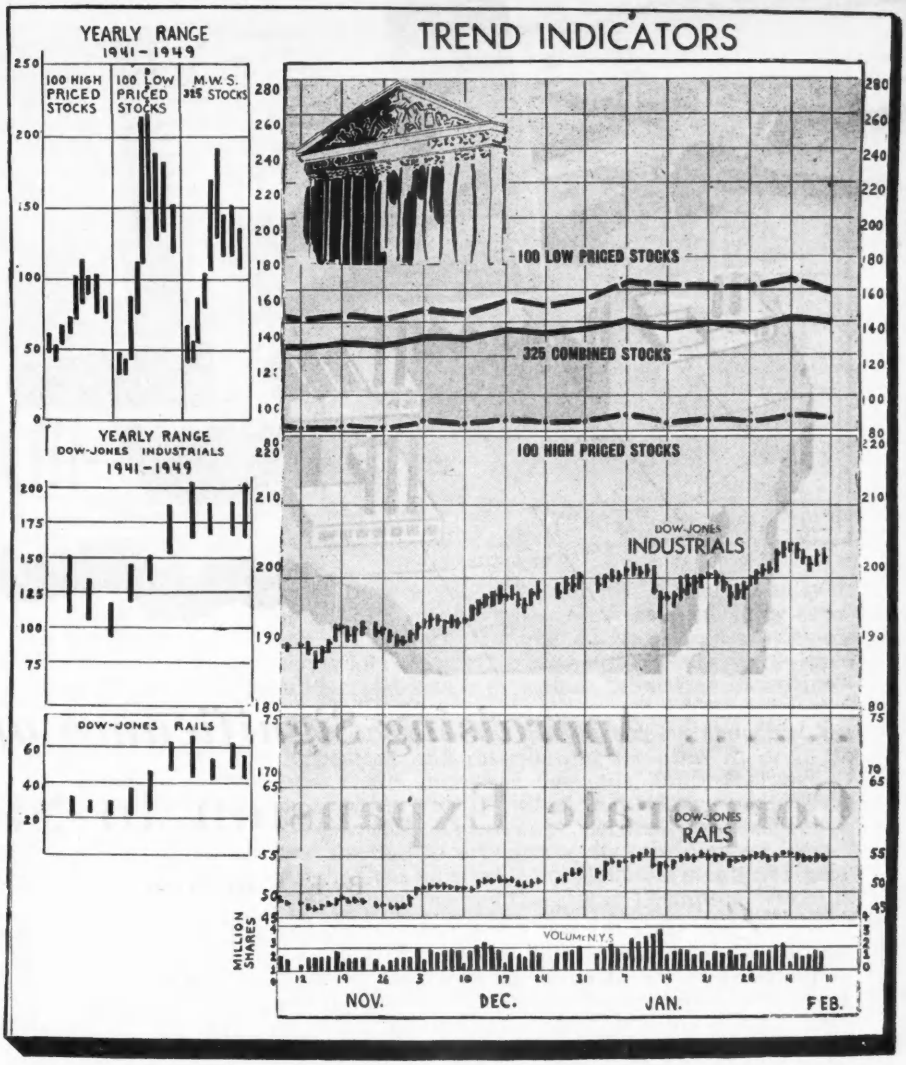
If the strike is ended within a couple of weeks, it will take only a moderate toll of industrial production, for stockpiles of coal have not been exhausted, although they vary greatly among industrial consumers. Whether it is quickly ended or not, there is no reason to suppose the strike can be a dominant stock market factor by itself. The market has always been more or less apathetic to strikes on the reasoning that much of the production losses thus caused will in due time be made up.

However, the railroad industry has been definitely and considerably hurt, because coal is a major traffic item for many lines. Premature or not, the reports of some progress in the coal talks found chief market reflection in some renewed speculation in rail stocks. Previously, the group had lagged behind industrials and utilities for some time, the rail average having made a high for the 1949-1950 market recovery on January 11, compared with highs on February 4 and 10 for industrials and utilities, respectively. The performance of February 18 took the rail average to a new high by the margin of one-fifth of one point. We are not impressed by it, whether you credit hopes of a strike settlement with being the whole story or whether you figure that some professional operators "helped" the rail average a bit. The latter tactics, at just the right time, might be calculated to stimulate interest and keep the pot boiling. That is a good thing for commission brokers; and also for those who have substantial blocks of stock to be distributed to the gullible.

The Dow industrial average reached the 200 level about two months ago, compared with 203.97 at this writing. In the meanwhile it has been as high (omitting decimals) as 205 and as low as 196. As noted before, the average is in the area

between the 1948 recovery high and the 1946 bull-market high, wherein there is a thick layer of stock to be absorbed—where the going on the upside figured to be slow and laborious in any event and where the start of a reaction of some scope, if not the end of the entire price swing, might quite possibly be seen.

The movement of the broader indexes of The Magazine of Wall Street, for the last six weeks or so (see chart) has also been sluggish. These indexes remain in the upper section of the broad trading range maintained since the autumn of 1946, with the composite and low-priced indexes at new 1949-1950 highs by a slight margin. Any way you look at it, the market will have to take a lot of selling. There will be selling by people who bought individual stocks around highs of 1937, or 1946 or 1947-1948; and who have now been bailed out. There will be selling by people who have long-term profits, as defined for tax purposes, who see no politico-economic basis for a sustained bull market, and who question whether the supply area in which the market is now floundering can be surmounted by a significant degree, if at all. And there will be selling by speculators and shorts, largely professional, who figure that this is a logical chart area for sales.



In our view, it will take an impressively persistent investment demand to put the market even moderately higher; and we question that such demand will develop. Meanwhile, the current level could prove quite vulnerable as "air pockets" develop and as people get more nervous or doubtful about the business outlook.

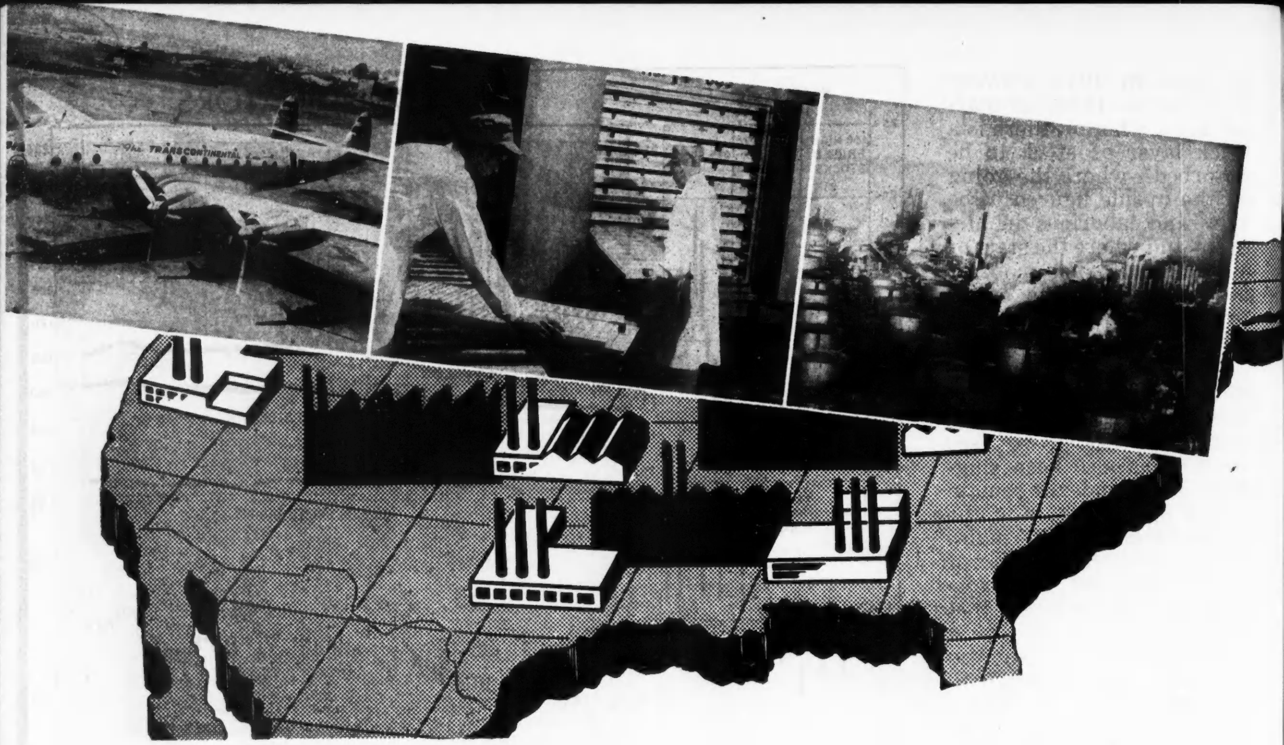
The recent speculative spree in television stocks—with professionals pouring the usual gasoline on the fire—reminds one of the soaring speculation in whiskey stocks in 1933. There is no doubt that television is a "growth" industry. So was radio in the 1920's. There is no doubt also that television is moving rapidly toward the cut-throat competition which is as inevitable as it was for radio. Finally, there is no doubt that most television stocks are now over-priced; and that the group is, or soon will be, vulnerable to really deep reactions.

Excessive speculation in this widely popular group and in a number of low-priced stocks, evidence of group-rotation maneuvers to keep the market going, and sluggishness in most good quality stocks seem unlikely to inspire confidence. Neither will the first real "air pocket" which has been seen in a long time: that in American Woolen. The stock dropped nearly 6 points on omission of the dividend and publication of an earnings report even more drab than had been anticipated. "Air pockets" do not usually develop except in over-bulled markets. Whether this one will prove an isolated happenstance remains to be seen.

The General Scene

The outcome of the British election will soon be known. If the Socialists win it, that certainly will be nothing for our market to cheer about. If the Tories win, it may be by a narrow margin, tending to make for weakness in policy where strength will be needed. So there would not be much to cheer about here, either; especially since the Tories are committed to carry on the British Welfare State.

At Washington not a great deal more will be done than prepare for the November Congressional election. Foreign aid will be cut somewhat, with domestic spending programs continuing to expand. The economizers will talk and get practically nowhere. Yet the indicated deficit spending will not be big enough to touch off renewed price inflation under present comfortable supply-demand (*Please turn to page* 586)



...... Appraising Significance of Vast ......

Corporate Expansion to Stockholders

By E. A. KRAUSS

Ever since the war's end, heavy capital expenditures by business and industry have greatly contributed to the strength of the postwar boom. Until 1948, the trend of such outlays has been consistently upward, reflecting new and accumulated requirements for productive facilities to meet the enormous demand for virtually every type of product. Together with huge inventory replacement needs and booming exports, they combined to push production and employment to unprecedented heights.

Needless to say, any marked weakening of these major props is bound to have incisive repercussions on the future course of business; but it is equally obvious that industrial expansion to date has enormously widened industry's productive horizon, and thereby earnings prospects accruing from enlarged capacity and greater production economy.

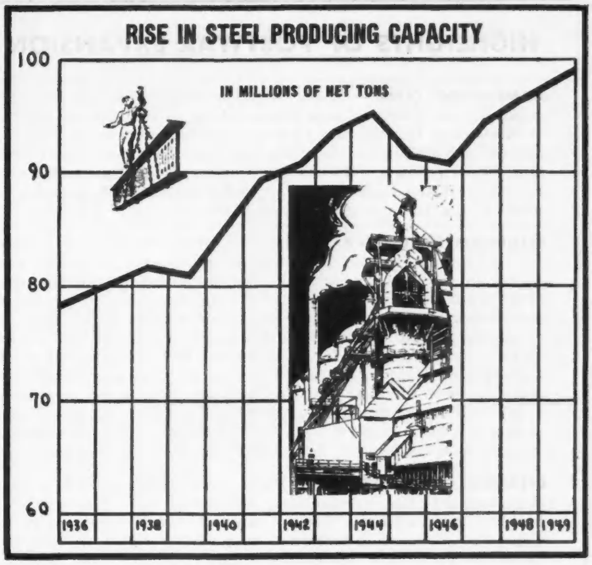
By this time, most companies have either completed, or are nearing completion of their postwar replacement and expansion programs for productive facilities and as a consequence, the influence of this type of expenditure in the overall economy can be expected to diminish. Up to the end of last year, U. S. business will have spent some $65 billion for new plant and equipment alone, much of it for reconversion and replacement of obsolete and worn-out facilities. The latter point is significant, for it has an important bearing on the relative weight of the over-all figure.

Allowing for depreciation of plant and equipment (conservatively estimated for the years 1946-49 at about $24 billion), net additions to capital assets appear to have been comparatively moderate, particularly in view of the population growth and reduced capital investments (for civilian purposes) during the war years. If one further considers the fact that depreciation is calculated on basis of substantially lower prewar costs, while postwar expansion was undertaken at much higher postwar prices, it strengthens the point made before, namely, that net physical additions have been much smaller than suggested by the gross figure of $65 billion. As a result, prospects for continuation of the capital goods boom, though on a more moderate scale henceforth, may actually be better than many think.

Progressive fruition of postwar expansion plans in major industries has been instrumental in halting, and ultimately reversing — however moderately to date — the shortage-induced price inflation which has characterized our superboom. The resultant benefit to the consumer and the economy as a whole is self-evident. If this in the past has been less so in the case of the stockholder who perforce contributed a major portion (in form of undistributed earnings) of expansion outlays, it needn't mean that he will not eventually share in the advantages accruing from expanded production, more economical operations and generally improved competitive positions. The money spent for this in the past, often at his expense, will bear fruit in the future, is in fact bearing fruit right now in the new competitive era as revealed by corporate results in recent months.

Because an up-to-date plant is more vitally important than ever, expansion and particularly moderni-

zation and replacement of older facilities is bound to continue. A hopeful sign comes from current business investment forecasts. Plant and equipment buying this year is estimated to run about 15% below last year, and actual outlays are now down by about the same percentage. There is much to suggest that barring unforeseen adverse developments, the main downward adjustment in business spending may already have been completed. If surveys are correct, such spending may continue close to current levels, and it may even rise somewhat in coming months.



Steel Expansion to Continue

There are specific signs that point in this direction. Take for instance the steel industry which this year will put the finishing touches on the greatest expansion program in its history at a cost running well over $2 billion. Last year's outlays came to $510 million, being topped only by the $583 million spent in 1948. This raised total postwar expenditures to $1.9 billion, and an additional $468 million is slated to be spent this year on expansion and improvements.

As a result of past outlays, steel capacity by the end of last year had risen to an estimated 98.1 million net tons from 91.9 million in 1946 and 80.1 million net tons in 1939, an 18 million tons' increase over a decade. Last year alone, about two million tons were added but this year it will only be about half a million tons. Steels is entering a period when emphasis will be less on expansion, more on improvements in processing. No big building program is contemplated. The stress is on modernization of old mills or their replacements with new mills closed to markets. To some extent, of course, the latter aim has also been behind past expansion moves.

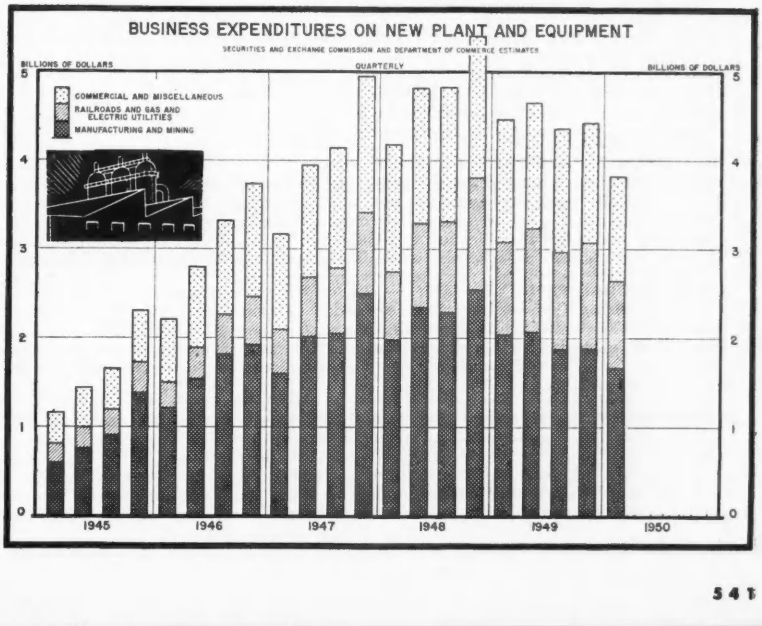
Incidentally, U. S. Steel Corporation, since the war ended, has spent some $875 million for expansion and improvement of its properties, in the process raising its annual rated steel production capacity from 29.5 million to some 32 million tons of steel ingots and castings, with an additional $167 million left to complete all authorized replacements and additions. This huge program, involving a host of subsidiary companies, included not only the acquisition of new plants and mills (quite a few from the Government after the war) and construction of new facilities, but also replacement of certain obsolete or marginal facilities which had been continued in operation during the war.

Benefits accruing to Big Steel

Space and the absence of detailed technical data does not permit a thorough analysis of what all this will mean to Big Steel in terms of improved production and competitive advantages. But as already mentioned, rated capacity has been upped by some 2.5 million tons and it is also understood that improved operating efficiency has resulted in a marked lowering of the company's break-even point, from around 70% to perhaps as low as 50%. The latter alone signifies enormous progress from which stockholders are bound to benefit in the future—in the form of greater earnings stability through minimized impacts of cyclical fluctuations in demand.

The corporation's annual rated steel capacity is now equal to about one-third of total industry capacity. There have additionally been substantial capacity increases in coke, pig iron and various finished products such as sheets, plate, tubular and wire products—all with a view to increase and balance the concern's raw material, steel producing and finishing, fabricating and distributing facilities in order to meet vastly increased demands. In furtherance of these objectives, Big Steel in 1946 purchased from the Government various properties (previously operated for the Government by its subsidiaries) including the Geneva, Utah, steel plant and plants at Homestead, Duquesne and the Edgar Thompson Works in the Pittsburgh district.

But Big Steel's expansion is far from completed. New plans include construction of a fully integrated mill at the Eastern Seaboard, on the Delaware River about 30 miles northeast of Philadelphia, with a total ingot capacity of about two million tons. This project, which will take about (*Please turn to page* 584)



HIGHLIGHTS OF POSTWAR EXPANSION PROGRAMS OF LEADING CORPORATIONS

ARMSTRONG CORK — Spent approximately $45 million during 1045 to 1949. During this period, the company undertook construction of several new plants along with additions to, and modernization of others. New Asphalt Tile plants were erected at Kankakee, Illinois, and Jackson, Mississippi, while a Fiberboard Insulation plant was located at Macon, Ga. A new factory and office building for the Canadian subsidiary was constructed at Montreal. Other major projects included installation of new and modern power facilities at Beaver Falls, Pa., and Fulton, N. Y. Rearrangement of equipment also involved new construction at the Lancaster, Pa., and Braintree, Mass., centers. Additional improvements and betterments were introduced in most of the remaining company plants.

BETHLEHEM STEEL CORP. — Spent approximately $318 million during 1946-49. Expenditures for additional property, facilities and equipment in the past few years covered virtually every operating aspect of the company. At the Bethlehem plant, additional facilities were added to the ingot mould foundry, the 46" blooming mill, and for new tool steel production, apart from other improvements. At the Sparrows Point, Steelton, Williamsport, Johnstown, Lackawanna and other points of manufacture, mills, furnaces and fabricating facilities were overhauled or outfitted to increase capacity and efficiency. This expansion raised the rated steel capacity to 14,200,000 net tons per annum by early 1949. Last year, Bethlehem purchased eight acres in Seattle for a structural steel fabricating shop, and doubled production of cold rolled sheet and strip at its Lackawanna plant in Buffalo. In 1950, the company announced installation of a 75-ton electric furnace at the Vernon, Calif., plant, while in the East it acquired 325 acres of limestone quarry land in Chester County, Pa. Directors recently also authorized a $30 million construction project at the Sparrows Point plant, to increase by 900,000 tons annually shipments of flatrolled products to the eastern market. Additional mills are planned for this plant which would increase company's shipments of tinplate and cold-rolled, hot-rolled and galvanized sheets by 75,000 tons monthly.

CELANESE CORPORATION — Plant improvements in the 1945-48 period cost $108 million. As result of these betterments, the company has substantially increased its capacity in all divisions, including yarns, fabrics, plastics and chemicals, besides constructing a finely equipped new laboratory in New Jersey. In order to provide its own supply sources for pulp, Celanese Corporation obtained vast timber rights in British Columbia, where construction of a purified cellulose plant by a Canadian subsidiary last year virtually completed the company's postwar expansion and modernization program.

CHRYSLER CORP. — Spent approximately $134 million during 1946-48. The company made numerous additions and improvements in this period which it could not do during the war years. A major cost factor is the necessity of re-tooling, replacement and re-design of equipment for competitive production of cars. Expenditures made in 1949 included completion of the new press plant outside Detroit, which increases the metal stamping capacity by 25%. Last November, Chrysler's Canadian subsidiary announced plans for building extensions amounting to more than $1,750,000.

GENERAL ELECTRIC CO. — Spent approximately $276 million during 1946-48. The plant expansion and modernization program which GE had under way since early 1940, has largely been completed. Some of the last major projects to be finished was the new turbine factory at Schenectady, covering 20 acres under one roof and employing more than 5000 people, and the Research Laboratory, also at Schenectady. In 1950, it is expected that only a new television building will be started, plus a several million dollar addition to the Pittsfield group, with perhaps a few minor property changes in the company's far-flung plant system.

GENERAL MOTORS — Spent approximately $617 million during 1946-48. At the end of 1946, about 30% of the post-war plant construction program remained to be completed. These included extensions and additions for Chevrolet, Fisher Body, New Departure, Brown-Lipe-Chapin, Delco-Remy, the Diesel Division and McKinnon Industries and for the Buick-Olds-mobile-Pontiac Assembly Division. As greater efficiency is obtained by decentralization, assembly and other plants in the vicinity of principal markets are essential to organizational performance. In line with this policy, the company continued expansion to meet competition by further construction and acquisition. Fisher Body leased a war surplus plant at Ambridge, Pa., Chevrolet completed a new plant at Parma, Ohio, and the BOP Assembly Division opened new plants in Atlanta, Ga., Wilmington, Del., and Framingham, Mass. Last autumn General Motors Diesel Ltd. of London, Ont., enlarged its facilities, and the Genevilliers factory near Paris was purchased. Last year, also, work was begun on the new technical center near Detroit, while Pontiac was planning a new engineering building and an addition to the Ternstedt plant.

B. F. GOODRICH RUBBER COMPANY — In the three-year period 1946-48 inclusive, gross value of plants and equipment rose by $43 million. While detailed figures are not available, construction in 1949 of a large new belting plant in Akron and a general chemicals plant in Avon will substantially increase the current total. Additionally, conversion last year of a Government-owned plant in Texas to produce "cold rubber" involved considerable outlays. This latter facility will increase capacity for "cold rubber" to 30,000 tons annually. Aside from expanding and modernizing productive facilities in postwar, Goodrich has constructed one of the most outstanding research centers in the industry.

GULF OIL — Spent approximately $629 million during 1945-49. Expenditures for plant, equipment, production properties, pipe line extensions, refinery expansion and improvements, acquisition of marketing facilities, new tankers and other capital investments have been in a sharp uptrend since 1942. The company's high rate of operations intensifies the rate of replacement and obsolescence both in the U. S. and abroad. In addition, new plant and facilities must be built to meet the world race for markets. A new refinery is being built this year in Venezuela costing $50 million, and installations in the new oil fields of Canada may require substantial financing eventually.

INTERNATIONAL HARVESTER COMPANY — Spent approximately $220 million during 1946-49. This sum has been expended for normal replacement of fixed assets, new buildings for new products and for foreign subsidiary expansion. Last year a sizable amount was invested in facilities for producing a new line of trucks, and for establishing parts depots for more efficient distribution of an increasing volume of service parts. Considerable investment was made during 1949 in new manufacturing and sales facilities of the Canadian subsidiary. The French subsidiary also expanded by purchase of buildings for the manufacture of tractors, while in Australia a plot of land was acquired to erect a motor truck assembly plant.

INTERNATIONAL PAPER COMPANY — Including appropriations of $37 million for capital expenditures in 1949, company's facilities during 1946-49 have been expanded or modernized at a cost of about $110 million. Perhaps the most important element in the postwar program was last year's start on construction of a $20 million pulp mill near Natchez, Mississippi, to utilize hardwood as a primary material for the first time by the paper industry. Installation of the most up-to-date machinery in all of the company's new and old plants producing newsprint and kraft paper of pulp has brought cost-savings on a broad scale.

JOHNS-MANVILLE — Outlays for capital improvements in postwar have totalled about $60 million. A number of new plants have been constructed in strategic locations, others have been added to and completely modernized and a broad program to streamline operations has been virtually completed. Erection of a new research center should stimulate development of new products for the building industry. To attain further diversification, the company has acquired two concerns whose output should round out its many other lines. Improved integration has been gained by development of a large new body of asbestos ore near Matheson, Ontario, to supplement long maintained mining operations in Quebec.

Corporate Trends FOR Next Six Months

As Revealed by ..... 1949 Annual Reports

By J. C. CLIFFORD

The gradual accumulation of corporate reports for last year begins to form an uncommonly interesting picture of industry in a period marked by major readjustments. In no former twelve-month period have so many groups and individual concerns experienced such a sudden impact of operating difficulties, or overcome their handicaps so speedily or on a broader scale.

While total corporate earnings in 1949 were lower than in the boom year 1948, the experience of many concerns varied widely in this respect. As was to be expected with the return of heavy competition and lower prices, the more strongly entrenched and more efficiently managed firms displayed marked ability to pull out of a temporary decline, while others less fortunately situated showed signs of reverting to a former marginal status. On the whole, however, the continued high level of spending by consumers, business and the Government amply maintained the vitality of the economy in its gradual return to more normal operations.

Trends in the performance of various enterprises last year are clearly revealed in their interim reports, in some cases determined by basic operating factors and in others by factors beyond managerial control. The completion of large scale expansion and modernization programs enabled a good many concerns to maintain or expand profit margins despite reduced volume, thus lending encouragement to their potentials in the first half of 1950, when an uptrend in sales is possible.

Conversely, the earnings of most companies receded more rapidly than their annual sales, as shown by an estimated over-all decline of about 21% in net profits compared with a probable dip of about 9% in corporate volume, as against results in 1948. These latter trends are less significant than appears on the surface because comparisons are made with the postwar peak year 1948; even allowing for reduced earnings, last year's total net income of about $17 billion will establish the third highest aggregate in the history of the economy.

All-time peak earnings of the larger automobile concerns, either actual or estimated, reflected the advantage of strongly entrenched trade positions, ample materials supply and an insatiable demand for passenger cars. In contrast, many of the leading truck manufacturers experienced such a drastic reduction in demand that a number had to report deficits for the first three quarters of last year. Similarly, the return of intense competition pushed results of some newcomers in the automotive field, such as Kaiser-Frazer Corporation, far into the red ink. Other concerns in this field, though longer established, felt the brunt of competition to a point where their earnings were impressively reduced.

Factors Affecting Earnings Trends

We have cited the experience of the automotive group at this stage of our discussion because the pattern formed would closely apply to most other industries. It seems clear that established product popularity, diversification and greatly improved operating efficiency, aided by large sums spent on promotion, have proved highly beneficial to the stronger units. In marked contrast, high and rigid overhead, rising wage costs and sales expenses last year proved troublesome to many manufacturers faced with price fluctuations and inventory losses. It is only necessary to study the as yet limited number of 1949 annual reports to note how broadly earnings varied because of the foregoing basic advantages and handicaps. Producers of steel, building supplies, chemicals, electrical equipment and many other items reported more widely divergent progress in 1949 than in several years past.

Full year results, though, often fail to show up the rather rapid changes in operating conditions from quarter to quarter. Hence our readers should find interest in studying the interim earnings reported by a number of representative concerns, tabulated herewith. Noteworthy is the general downtrend in earnings characteristics of the first six months, when

abruptly reduced sales and lower prices pinched margins very generally. The speed with which some concerns gained better cost control and made necessary inventory adjustments to permit more satisfactory progress in the second half year colors the picture impressively, though the reverse is also true in a good many instances.

How the full pick-up in business confidence and inventory replacements brought corporate earnings to a level that in some cases completely offset earlier declines, or even losses, is significant. Of equal import were those instances where, despite relatively stable volume, the impact of competition on prices narrowed margins, reducing net income. This factor especially applied to a number of leading concerns in the chemical, paper and shoe industries. Then, again, there were many weakly situated concerns whose earnings went from bad to worse from quarter to quarter, due to inadequate cost controls and inherent operating disadvantages.

How Textile Industry Fared

While annual reports of leading textile mills have been slow in appearing, this industry undoubtedly staged a heartening recovery in the latter part of 1949 from acutely depressed levels in preceding months. Whereas most of the stronger mills experienced earnings in the first nine months sharply lower than the year before, a marked spurt in volume in the final quarter probably reversed the trend and made net income for the full year better than had been expected. With good prospects for continued high level national income in the current year and a basically heavy replacement demand for fabrics of every description, further recovery by the textile manufacturers is indicated in near months.

The steel strike in the final quarter of 1949 naturally brought to a halt the encouraging progress of the entire steel industry characteristic of preceding quarters, when many of its components reflected the benefits of enlarged and modernized facilities. While industrial consumers of steel also suffered from a reduced supply, to the detriment of their final quarter earnings, accumulated inventories in many cases helped to ease the problem. This factor of scanty steel supplies will likely continue to plague some manufacturers throughout the 1950 first quarter, although steel producers themselves will benefit for a time from accelerated production, that is, to the extent that the coal stoppage does not interfere. In this connection it is important to realize that while a prolongation of the coal controversy may seriously affect near term earnings of steel producers and fabricators alike, resultant deferred demand should stabilize operations longer than presently foreseeable.

Inventory Adjustments

On the whole, it appears that readjustment of high priced inventories in 1949 was largely accountable for the general decline in industrial profits. Acceptance of losses through inventory revaluations and liquidation was an adverse factor in determining earnings of numerous concerns, especially those not employing LIFO methods, although, as usual, credits from reserve accounts often distorted the real picture. An encouraging element in the 1950 outlook is that last year's completion of inventory adjustments, even at the expense of reduced earnings, greatly improved the financial position of many. In other words, numerous annual reports reveal lower current liabilities and correspondingly higher current assets, the latter mainly in the form of cash resources, and with inventories marked down to a very healthy status.

By this process, better cost control has been made possible, with the prospect of more confident inventory buying in the next six months, provided the demand for goods continues at the presently indicated satisfactory level. Confidence in this respect is already being reflected by the surprising number of companies that have increased their dividend payments in the first quarter of the current year.

It is only by careful study of individual company reports that explanations for varying earnings trends can be brought to light. It seems appropriate, accordingly, to discuss a few. Let's start with United States Steel Corporation. 1949 net income of Big Steel was reported as $165.9 million or $5.39 per share compared with $4 in the previous year, but bookkeeping adjustments in the strike-bound fourth quarter substantially accounted for the improved showing.

In reporting net income of about $32.7 million for the final three months last year, equal to $1.01 per share, the company explained that because of curtailed production in the final quarter, previous allowances for accelerated depreciation had been too liberal, to compensate for which it was necessary to enlarge arbitrarily fourth quarter income by $6 million. Additionally, heavy shipments immediately following the strike included many steel products mostly carried at 1940 values under Last-In, First-Out methods of accounting, causing non-recurring inventory profits of $17 million and involving Federal income taxes of approximately $7 million. At any rate, U. S. Steel points out that the actual out-of-pocket expense of the six weeks strike was around $37 million, although this was not fully reflected by earnings as reported.

Bethlehem Steel Corporation

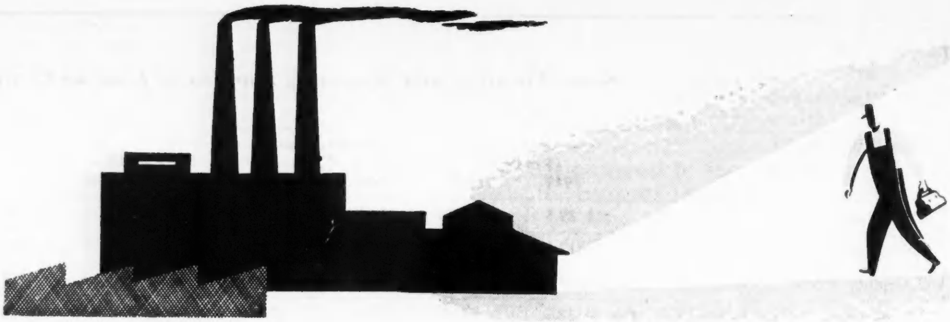
Bethlehem Steel Corporation also reported earnings for 1949 at a record high of $9.68 per share, despite strike losses equal to about $12 million or 70 cents a share. Until receipt of the audited report, however, no detailed breakdown of the company's operations can be had. Net income of $1.54 per share in the fourth quarter measurably extended a downtrend characteristic of the three preceding quarters, but none the less contributed to an annual peak, as stated. Eugene G. Grace, president of Bethlehem Steel, is optimistic over steel demand for the next six months as all signs point to continud heavy consumption. Late in January, though, shrinking coal supplies had closed five of the company's blast furnaces and started to cut down open hearth operations. The progressive deterioration in the coal picture can hardly fail to affect adversely earnings of Bethlehem Steel and its competitors in the current quarter, although as we have suggested, activity in this field may be correspondingly intensified later in the year.

The management of Bethlehem Steel attributes considerable credit for its satisfactory earnings last year to operating economies achieved by outlays of more than $317 million for plant improvements in postwar, and plans to spend at least another $93 million in 1950. The company's backlog orders at the end of 1949 stood at $417 million, of which $128 million represented shipbuild- (*Please turn to page* 583)

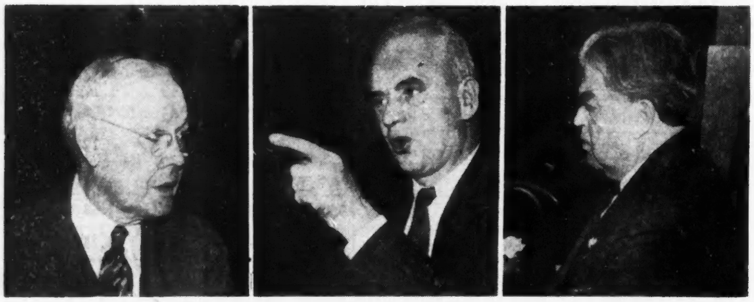
Comparative Sales, Earnings and Operating Margins of Leading Companies

	Net Sales ($ million) 1949	Net Sales ($ million) 1948	Operating Margin % 1949	Operating Margin % 1948	Net Per Share 1949	Net Per Share 1948	Net Per Quarter 1949 1st	Net Per Quarter 1949 2nd	Net Per Quarter 1949 3rd	Net Per Quarter 1949 4th
Air Reduction	$ 89.5	$ 94.8	(a)11.7%	(a)11.4%	$2.26	$2.36	$ .66	$ .56	$ .57	$ .47
Bethlehem Steel	1,312.5	1,266.8	N.A.	N.A.	9.68	9.36	3.29	2.62	2.23	1.54
Caterpillar Tractor	254.8	218.0	12.0	10.3	4.89	3.66	1.27	1.01	1.11	1.50
Celotex Corp.	38.3	54.1	8.1	20.9	1.87	7.21	.43	(d).01	.35	1.10
Continental Baking	154.2	161.2	6.0	7.9	3.86	5.84	.90	.83	.80	1.33
Deere & Co.	361.6	309.7	19.9	15.7	12.42	8.49	2.09	3.02	3.71	3.60
Dresser Industries	80.6	108.6	6.8	11.5	3.02	7.14	1.74	.72	.35	.21
Endicott Johnson	131.6	148.6	2.8	4.6	2.48	4.11	......	(b)1.11	......	(b)1.37
Firestone Tire	579.6	633.8	6.1	8.5	8.82	13.84	......	(b)4.02	......	(b)4.80
Hercules Powder	125.8	134.1	13.0	13.2	3.60	3.99	.90	.87	.89	.92
Hooker Electro Chemical	21.8	23.7	17.4	18.2	2.64	3.32	.73	.60	.54	.77
Inland Steel	347.5	394.7	(a)11.7	(a)15.6	5.11	7.88	1.89	1.44	1.54	.24
International Harvester	908.9	945.4	8.9	7.8	4.36	3.92	......	(b)2.01	.79	.86
International Shoe	190.0	219.8	6.5	9.9	2.26	4.06	......	(b)1.32	......	(b).94
Johns Manville	162.5	173.4	13.6	14.4	4.83	5.22	.97	.97	1.58	1.31
Jones & Laughlin	386.0	446.0	(a)8.8	(a)11.2	7.50	12.01	3.65	1.90	1.73	.22
Kinney (G. R.) Co.	35.2	34.7	5.5	6.5	4.23	5.01	......	(b)1.99	......	(b)2.24
Koppers Co.	191.3	200.2	6.2	8.8	4.03	8.84	1.09	1.21	.80	.93
Liggett & Myers	557.7	556.5	9.4	9.6	7.19	8.86	1.54	1.80	2.13	1.72
Lone Star Cement	63.9	54.5	(a)26.2	(a)23.2	10.32	8.18	1.67	2.78	2.90	2.97
Mathieson Chemical	54.0	31.9	21.0	23.8	5.14	5.61	1.48	1.24	1.34	1.08
Monsanto Chemical	165.9	161.6	N.A.	N.A.	3.74	3.95	.97	.75	.76	1.26
Mullins Mfg.	34.1	47.4	(a)13.8	(a)21.9	2.35	5.07	.61	.45	.62	.67
Nash Kelvinator	364.1	302.8	12.1	11.5	6.04	4.64	1.35	1.64	1.67	1.38
National Distillers	351.5	362.4	11.1	12.4	3.03	3.37	.71	.67	.61	1.04
Oliver Corp.	101.3	103.3	9.5	12.7	7.19	9.38	1.64	2.01	1.34	2.20
Phila. Reading Coal & Iron	65.7	87.7	(a)7.4	(a)10.6	2.58	4.32	.26	.88	......	(b)1.44
Purity Bakeries	67.2	74.5	(a)7.1	(a)8.4	3.63	4.93	......	(c)1.78	......	(e)1.85
Republic Steel	(f)656.9	(f)772.0	(a)12.3	(a)10.4	7.56	7.61	2.53	1.66	......	(b)3.37
Reynolds Tobacco	746.3	724.9	9.8	8.9	3.75	3.26	.76	.96	......	(b)2.03
Servel	41.2	71.0	Def.	14.2	(d).51	3.00	(d).29	(d).54	.39	(d).07
Sunbeam Corp.	50.2	41.1	N.A.	N.A.	10.83	8.52	......	(e)3.29	......	(c)7.54
Sutherland Paper	29.0	27.0	9.2	12.2	4.62	6.02	1.13	1.36	......	(b)2.13
Union Carbide & Carbon	585.7	631.6	23.9	24.5	3.20	3.55	.85	.61	.84	.90
U. S. Rubber	517.4	572.0	5.0	6.5	5.62	8.48	1.18	1.12	.38	2.94
U. S. Gypsum	137.8	148.5	24.6	25.7	13.51	15.04	3.24	3.05	3.52	3.70
U. S. Steel	2,302.4	2,473.1	12.5	9.0	5.39	4.00	1.67	1.45	1.26	1.01
Ward Baking	80.2	86.0	6.0	6.6	3.85	4.63	.80	.92	1.19	.94
West Virginia Pulp & Paper	88.4	93.2	15.3	17.9	9.31	11.33	2.74	2.19	1.79	2.59
Youngstown Sheet & Tube	338.3	381.7	(a)15.2	(a)16.0	(g)18.97	(g)21.32	7.18	5.39	4.48	1.92

(N.A.)—Not Available.
(a)—Pre-tax margin.
(b)—6 months.
(c)—28 weeks.
(d)—Deficit.
(e)—24 weeks.
(f)—Gross sales.
(g)—Before reserve.



Labor's Struggle with Management



Leading Labor's Drive (Left to Right): Messrs. Green, Murray and John L. Lewis

THE NEW ISSUE FOR 1950

By P. T. SHELDRICK

New twists on pension demands as exemplified by the United Automobile Workers' dispute with Chrysler have created a new issue for 1950 equivalent to a "fifth round" of postwar demands. In the light of developments, it is perhaps no longer accurate to speak of "rounds." The process of pushing new demands goes on and on in a continuous struggle for more and more of industry's profits and of economic power. The unacknowledged rule of action seems to be: "The more we get, the more we ask for."

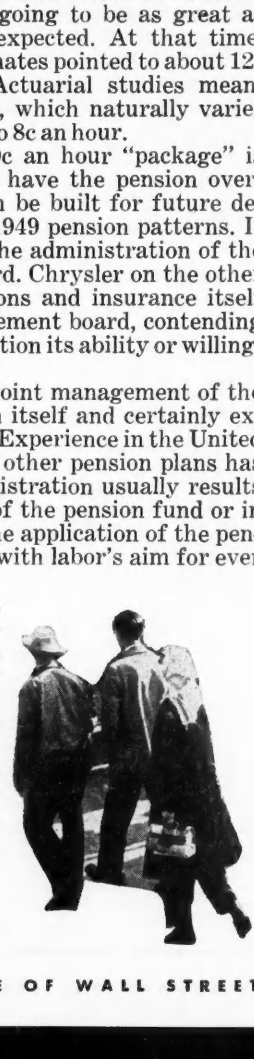
The UAW-Chrysler dispute is an excellent case in point. Far from following any pattern set by pension agreements already made, the union has been upping its demands and has been willing to go on strike to get what it wants. The case may decide the shape of industrial pensions in 1950, but it may take time. Both sides seem set for a lengthy siege.

Chrysler first offered pensions on the same basis as provided by Ford and the steel companies, but under union pressure it offered to better the Ford plan by guaranteeing $100 a month (Federal social security included) for 65-year-old employees with 25 years of service. Ford pensioners must have 30 years of service. But the union spurned the offer; it is shooting for bigger stakes.

What UAW is striking for is a definite switch from pensions of so many dollars a month to a guarantee of a certain "package," aggregating at least 10c an hour. Ostensibly it is asking for a pension of $100 a month, but it also wants minimum cents-per-hour payments into a welfare fund. This means a refusal to let the company provide a pension system in which its outlays might be lessened by liberalization of the Federal social security system. Since such liberalization is virtually certain, the union is actually shooting for higher pensions, beyond the $100 a month guarantee, or other benefits, especially in view of the fact that the cost of pensions to employers who contracted for them in 1949 isn't going to be as great as originally expected. At that time, rough estimates pointed to about 12c an hour. Actuarial studies meanwhile have placed the figure, which naturally varies among companies, nearer 6c to 8c an hour.

UAW's insistence on a 10c an hour "package" is equivalent to an attempt to have the pension overfunded so that a reserve can be built for future demands. It wants more than 1949 pension patterns. It also wants to have a say in the administration of the pension fund, as it has at Ford. Chrysler on the other hand wants to handle pensions and insurance itself without a joint union-management board, contending that there is no reason to question its ability or willingness to do so properly.

The union's insistence on joint management of the pension fund is significant in itself and certainly exposes more fully its strategy. Experience in the United Mine Workers case and with other pension plans has shown that such joint administration usually results either in loose management of the pension fund or in never-ending disputes over the application of the pension contract. It ties right in with labor's aim for ever greater power.



Already the significant fact can be noted that where pensions have been won, the unions are beginning to show considerable interest in management policies. Thus the president of the Ford UAW local is questioning the company's wisdom in building new plants in Ohio, opining it might "spread the company pretty thin financially."

Doubtless the day is near when unions will offer such "advice" as part of bargaining

discussions. A straw in the wind is the NLRB ruling that where an employer pleads inability to pay a wage rise or a pension, he must show his books to the union or risk citation for unfair labor practice. The drive for an ever greater labor voice in management is well under way.

The trouble at Chrysler shows that the UAW has in mind a speed-up of welfare demands which hardly jibes with the five-year pension agreements negotiated last year with Ford and the steel companies. And after Chrysler will come negotiations with General Motors which can expect the same tactics. In the circumstances one can assume that the five-year agreements earlier negotiated may not run their full course. Meanwhile an uneven pattern of demands is emerging that will make it difficult for industry, and companies within an industry, to control or estimate future costs.

Goodyear Plan Ups Pension Potential

The trend is further illustrated by the latest pension agreement between Goodyear and the CIO United Rubber Workers. It calls for $100 monthly minimum pensions, including social security, at the age of 65 after 25 years' service. But it also provides that if and when Federal pensions go up, Goodyear will deduct from its guaranteed $100 monthly minimum only one-half of the amount an individual worker gets from the Government—not the full amount as provided in other pension contracts.

Thus if a worker now is entitled to $32 in monthly social security benefits, that amount is deducted from the $100 minimum with the company paying the balance of $68. But should the social security entitlement be raised to, say, $65, only half that amount will be deducted from the $100 minimum. The company then will pay $67.50, giving a $132.50 monthly pension to the worker.

This amply clarifies the direction of pension bargaining. Labor wants not just a fair and equitable pension plan but is out for everything the traffic will bear. It wants a cents-per-hour obligation that will be unaffected by whatever Congress may do about raising social security benefits. Regardless of how much the individual worker may ultimately benefit from it, it means a greater fixed burden on industry that may run well beyond the gains in worker productivity.

Other Threatening Aspects

There are other worrisome aspects to the emergence of pensions as a national issue in collective bargaining. The drive to spread pension programs across the dividing lines of individual concerns onto an industry-wide, area-wide or union-wide basis holds an ominous threat for many individual companies. The impact of pension programs imposed on an industry-wide basis conceivably can be quite serious; for many companies, such a program is likely to be much more expensive than a company program designed to give the same pension benefits.

The reason is that not all companies possess the same financial latitude or ability to assume an identical burden. Yet industry-wide union power massed behind a pension drive can force management to undertake financial obligations and responsibilities which may not only be onerous for individual companies but the future size of which can be seen only dimly.

Industry-wide bargaining is well under way; nor are plans for area-wide pensions forgotten. Thus an UAW official has formulated a pension and insurance program to be applied to the entire Toledo area including such diverse companies as National Supply Co., Champion Spark Plug Co., DeVilbiss Co. and others. The program has been submitted for "study" with the request for an early start of negotiations. It calls for a single retirement fund and a single welfare fund covering all employers of UAW workers and would cost employers 12c an hour according to union estimates.

With unions intent on extending pension gains to whole industries or areas as the next logical step in their drive for management-financed security, the dangers inherent therein are difficult to ignore. The financial threat alone, particularly if a variety of unrelated concerns are forced into an area-wide program, is potentially immense. The only advantage is that it would eliminate one bad feature of the current pension pattern, that is, the immobility it imposes on the labor force. But that is nothing compared with the implied threat to the financial stability of the companies affected.

All these problems are quite obvious; unfortunately this doesn't mean that there may be an equitable solution. As long as national labor policy condones industry-wide bargaining, union pressure for broader security programs will grow and may become as irresistible in some industries as it is in coal mining, the Taft-Hartley Act notwithstanding.

Aim at Control of Labor Board

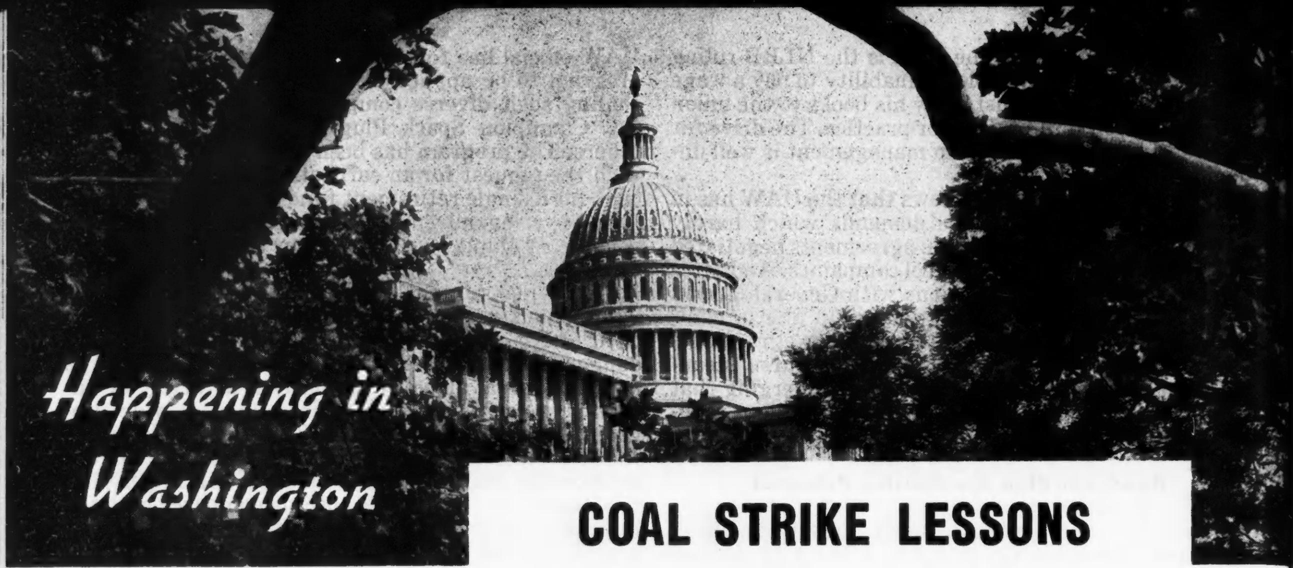
The latter, for lack of prompt and proper application, has proved no protection against the pressure which organized labor is able to exert through its freedom to call industry-wide strikes, and thereby to impose industry-wide welfare patterns despite the **appearance** of company-by-company bargaining. What happened in the steel industry last Fall is a case in point.

Moreover, labor is obviously out to control the Labor Board as a way to soften Taft-Hartley enforcement now that it must realize that repeal of the Act is hardly in the cards this year. Hence the drive to get relief from it through Labor Board decisions that narrow down its provisions. Union strategy in this respect is quite clear; the aim is to get a Board majority that will interpret the Act in a way favorable to labor.

The pension drive is well under way but as it goes along, new twists are likely to be added, possibly even exceeding those introduced by the Chrysler dispute. There is every indication that collective bargaining drives will extend the gains thus far achieved to all of the great mass-production industries as well as to others, particularly if area patterns succeed; and emphasis will remain on non-contributory pension programs.

These however are not the final stakes in labor's struggle. The next goal will be a guaranteed annual wage, and it is quite likely that one of the first moves in this direction will consist of pressure for some sort of employer-financed fund to supplement present unemployment compensation payments. It is from this viewpoint that union attempts, as in the Chrysler case, to have pension plans overfunded by insistance on a substantial cents-per-hour "package" appear even more significant.

Nobody can tell precisely what pension costs will actually be over any given period, but by forcing an overfunding of a pension *(Please turn to page 580)*



COAL STRIKE LESSONS

By E. K. T.

CONGRESSMEN are having a taste of what will happen as the program for plugging tax loopholes speeds. Oil producing companies came to Washington to tell the lawmakers they are wrong if they think the President's recommendation on depletion is a sound one. The producers may charge 27½ per cent of their gross to depletion of the natural resource, but the White House wants that cut to 15 per cent. Basis is the contention that the present figure permits recovery of capital investment too rapidly. But, the oil men say, costs of extracting oil have risen tremendously and a less favorable tax offset will force curtailment, invite a hazard to national security.

WASHINGTON SEES:

The latest antics of John L. Lewis have forced President Truman into the unhappy admission, by word and deed, that instead of a weaker law on labor-management relations, a stronger statute is needed.

During last year's prolonged discussion of Taft-Hartley Act revision, the White House continually drummed on the point that there already was sufficient Presidential power to take care of crippling national emergencies. Now Mr. Truman admits he is without statutory authority to seize the mines and operate them in the public benefit when the coal diggers refuse to work.

The President told the press in the course of the 1949 debates that the T-H Law was not essential to his right to seek injunctions making effective the results of fact finding board deliberations. Yet it was not the use of that still-undisclosed power but the Taft-Hartley Act itself on which the President rested when the need for going into court became obvious.

In the light of the President's change of pace, congress will set out immediately to consider improvements in the "national emergency" section of the labor-management statute. The job probably will stop there rather than become an exploration of the entire subject. Congressmen see the time opportune to discuss what must be done when a relatively few workmen strike to the inconvenience and job loss of many others, but they aren't anxious to legislate farther in the field of labor in an election year. At present there is no way to implement the suggestions of a fact-finding board. Fashioning such implements is likely to be the first move.

FINANCIAL plight of the republican party is more serious than it has even been before in recent history. Not publicly mentioned at the time of his election, Guy Gabrielson was chosen national committee chairman partly because erstwhile large donors were on his side. Gabrielson, however, hasn't been able to tap them to any considerable degree, while a few blocks from GOP headquarters hear the democratic national committee is housed in luxurious, well-staffed suites, enjoying a standard of living to which it definitely was not accustomed in the past. Republican headquarters is pleading with the party faithful to stop contributing to the Taft campaign chain letter.

DEMOCRATS say they have been robbed by Gov. Thomas E. Dewey—robbed of a campaign aid they hoped to get out of republican use of the term "Welfare State." Dewey has pointed out to the party that it will lose votes if it continues to circulate a slogan which seems to put the GOP on record as opposed to the welfare of its citizens; that it invites the answer that the party is interested in the few and not the many. Now its dawning on the publicity master minds that they should shift the basis of attack on the Administration, promise a broader pattern of welfare and a sounder one.

EXPANSION of the Department of Commerce is in prospect. It already embraces a wide miscellany of subjects and agency heads not usually associated with the top agency in the public mind, but there is a move on foot to make it also the transportation control center. The Maritime Commission is likely to be the first to go under Commerce domination. President Truman has been convinced by the Hoover Commission that this is a logical move.

As We Go To Press

President Truman's tax program continues to take a pummeling in public and in private at the Capitol but there is a suspicion that the congressmen are talking at this point principally to bring out "back home reaction." They're not worried about the excise tax repealer provisions, for the mandate there is positive. But they realize they must find other sources of revenue -- just as President Truman had counselled them -- or put the Treasury further in the hole.

The job of damming up the chinks through which federal tax money now leaks out is a difficult one. Too hasty action, lawmakers agree, may merely shift, or even increase, the existing inequities. For example, if the President's proposal to tax businesses operated by charitable and educational institutions is approved, then what of the tax-free or only partly taxed farm cooperatives? In each case there is open competition between the favored and the taxed.

And there is every indication that corporations won't take a beating lying down. This year they have bi-partisan support for the argument that already high corporate taxes are the direct result of too free spending by the federal agencies, and that lower, not higher, taxes are needed. If congress begins practicing its economy preachments it will be the first time, at least in recent years, that the big companies have been taken in as partners in a try for solution of the financial ills of government.

But the best way to forecast what an individual or a group, congress for example, will do in any given situation is to examine the record of what has been done in similar situations in the past. In any such survey factor No. 1 to be evaluated is: what happens to tax increase legislation in an election year? The answer is not difficult. General tax boosts are avoided. The points of impact numerically fewest, but valuable from a dollars-and-cents point of view, are hit. That means corporations. It has always been possible in the past to disassociate the corporate entity from its stockholders, in the public mind. Now share-holders are organized, have their own lobbying organizations, are making themselves heard.

However, the job of budget slashing has added difficulties this year. A new mechanism, the omnibus appropriation bill, will be put to a test. Already it is feared that the plan to have two committees of each house act jointly will set up a serious handicap of size. Attempt is being made to reach an agreement by which a few members of each committee might serve as the examiners of budget requests in the first instance, report later to the larger group, serving in a sense as joint conferees of the two houses of congress.

Congress is well into the second month of its session and hasn't enacted a major piece of legislation. Conscious of the slow start and the warning that a July adjournment date will be observed at all costs, President Truman is expected to trim his Fair Deal to less than a dozen essential elements. It won't be labeled a "must list," but that's what it will amount to. Naturally it includes appropriation bills. FEPC will not hold up the senate for weeks as it has in the past. There just won't be time for a trial by oratory.

The President wants the senate to pass the social security act amendments and he will get his wish, in whole or in part. Tax revision is a "must" insofar as the White House is concerned, but as indicated above it won't be the Truman plan. The Administration wants the "middle income" housing bill passed and rent control extended, and seems to be favored on those scores.

The Displaced Persons Act needs rewritings to remove discrimination. That may be laid over until a later date, but probably will be rushed through before

the gavels are rapped for the last time of the session. Selective Service Act extension is in the discussion stage, but world events may prompt congress to approve it, pretty much on a stand-by basis. Federal aid to education has a White House "must" on it and with some amendments should pass.

There's been a justified hue and cry against wasteful handling of the potato problem by the government, but the losses may be only a hint of what is ahead. The cost of the potatoes is minute compared to that of the huge stores of cotton, grain, tobacco, eggs and butter which the Commodity Credit Corporation has acquired under the price-support program. Last June, the government-owned stored commodities inventoried at one billion dollars; by next June three will be an increase to 2.2 billion; by June 1951, the inventory will read 3 billion dollars.

The budget message includes the stored crops and products among the inventories of the government, much as if they were realizable down to the last dollar of their cost. Fact is that many of them are of a perishable nature, witness the potatoes which must be destroyed. They, too, were "assets." And there's no possibility of turning the entire stocks into cash -- none, that is, short of the visitation of a world catastrophe. For example there are several million bales of cotton. The market couldn't absorb that tonnage except in time of a crop failure of such magnitude as to pull down the entire economic structure with it.

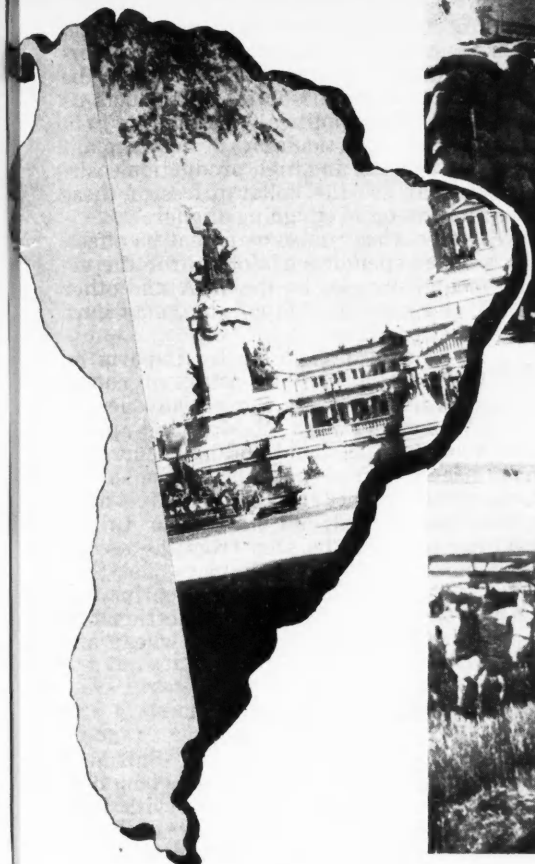
Any lingering hope that the Marshall Plan might make Europe self-sustaining is dashed in the second annual report of the Organization for European Economic Recovery. When ECA comes to a close in 1952 there still will be a huge dollar shortage though not, of course, as serious as might be the case had there been no Marshall Plan, says the report. And, as expected, it cites the essentiality of continuing assistance from the United States even though this aid does not take the form of direct dollar gifts.

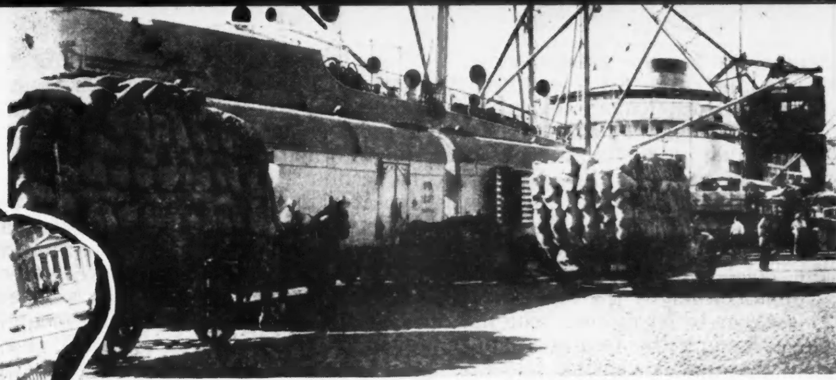
The switch to "other types of assistance" presages a hard congressional fight on basic national policy. What is meant primarily is relaxing of import tariffs and customs duties at American ports. That proposition has been good for a fight through many generations of lawmakers and it has never been happily resolved yet. Equally certain to provide a battleground is the proposition that competition in the lines where Europe shows its greatest efficiency, be made more inviting. Number 1, there is shipping and shipbuilding. Europe can build and man ships at about one-half the United States cost, but the industry here won't stand idly by and see American dollars go through the foreign shipyards and hiring halls.

Senator Taft, regarded the strongest potential candidate the GOP could offer the southern states (his popularity there, he admits, is a legacy from his father whose Presidency was popular below the Mson-Dixon Line) doesn't believe his party has a chance to crack the solid wall of southern democratic strength. Not even the creation and growth of a GOP-Dixiecrat coalition has encouraged the Ohioan to the belief that his party can achieve last benefits.

Taking philosophically his defeat in the fight against the Lodge-Gossett constitutional amendment to require that electoral votes be cast in proportion to the popular votes received by a Presidential candidate, Taft said later: "There isn't the slightest evidence that the republicans could successfully increase the percentage of their vote in the south. It is not easy to change the voting habits of a one-party state. All the young people join the majority party because that is the way to success, business and professional, as well as political. I cannot understand republicans voting for a system fatal to the hopes of republican success in any election."

Legislation to increase postage rates has put congressmen on the spot. They're faced with the fact that the Post Office Department has been running half a billion dollars a year in the red and that agency has put it squarely up to congress either to raise the rates or record the fact that the postal stations are operated for public convenience with no thought of profit or, necessarily, breaking even.





★ ★ *Progress of* ★ ★
Economic Readjustment
in LATIN AMERICA

By V. L. HOROTH

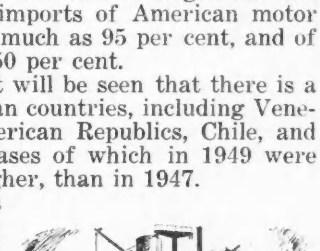
The ups and downs of the Cold War, the post-devaluation adjustments and the elections in Great Britain, the problem of Western European economic integration, and the search for a new Far Eastern policy have kept the political and economic developments in Latin America off the front pages. The only exception are those in Argentina, from where come frequent reports of a spreading inflationary tide and of the difficulties into which President Peron's plans for the country's industrialization have run. Yet from the viewpoint of our future political and commercial relationships, important changes are gradually taking place in Latin America —or, to be more exact, in certain countries, for to generalize may not always be fair and exact.

What are these developments? Generally speaking, they still concern the efforts of Latin American countries to live comfortably on their current earnings after a period of fictitious prosperity in the immediate postwar years when they were spending their wartime accumulated savings of gold and dollars. At the height of this happy-go-lucky period, about the middle of 1947, Latin America was spending, in this country alone, gold and dollars at the annual rate of about $4¾ billion—some $4.2 billion for merchandise imports, and over one-half billion dollars for transportation bills and interest and dividend payments.

Meanwhile the current earnings of hard currencies were no larger than about $3 billion, of which about $2.3 billion represented the goods and services sold to the United States, and about $0.6 billion the goods sold to Europe for gold and hard currencies. By the middle of 1948, the wartime accumulated nest-eggs were gone except in a few countries, and the problem was to cut down spending in the United States by almost $2 billion with as little adverse effect as possible on business and prosperity, and postwar expansion plans.

The measures to bring about this "tightening-of-the-belt" and the nature of the sacrifices differed greatly from country to country. As will be seen from the first of the tables, Argentina, for example, cut her spending for American goods from nearly $700 million in 1947 to less than $100 million in 1949. Spending for anything but essential goods had to be eliminated; in the case of Argentina this meant a reduction of imports of American motor cars and textiles by as much as 95 per cent, and of petroleum imports by 50 per cent.

On the other hand, it will be seen that there is a group of Latin American countries, including Venezuela, the Central American Republics, Chile, and Peru, the dollar purchases of which in 1949 were fully as high, if not higher, than in 1947.



The liberal regimes "by the center" which came to power in most of the Latin American countries during the Roosevelt era were rather slow in applying corrective measures . . . This, because they

tended to become bureaucratic, inefficient, spendthrift, and often too weak to deal with radical leftist minorities, jealous of any infringement of welfare and social legislation. Creeping inflation and the decline of real wage earnings, and the ineffectuality of the spending of the wartime accumulated reserves from which so much was expected in the way of strengthening the economy, brought about widespread dissatisfaction. This dissatisfaction, and the need for action as well, paved the way for "coups" either by the old conservative, land-owning classes, or by army men who usually counted themselves among the followers and admirers of President Peron of Argentina.

More Realistic Policies

In Colombia and Venezuela, these "coups" have brought about retrenchment in Government spending, and a more realistic handling of economic and financial problems. In Peru the provisional president, General Odria, was instrumental in carrying out some sensible measures, especially with respect to the currency, and there are indications that the economic situation has changed for the better. The dictatorships in several Central American countries range from "benevolent" to "reactionary."

Dictatorships are, of course, far from being a healthy development, even where they bring to an end a period of chaos as, for example, in Costa Rica. The opposition usually goes underground and waits for its opportunity, which may be the deterioration of the economic situation. Colombia is a good example of such a dormant political volcano. The danger is that when the next upheaval comes it will bring to the top far more radical leaders than before.

While Latin America has been drifting toward a greater conservatism in politics and economics, there have been other developments. They indicate that the toughest period of "belt-tightening" may be over, and that the hard currency earnings by some of the Republics are on the increase. These developments are: (1) the revival of business activity in the United States; (2) realization that the world production of certain commodities — wool, coffee, cocoa, rubber, and jute, to name the most important—is likely during the next few years to be *below* current world demand for these products as a result of continuing political uncertainty (in Southeastern Asia in particular), drought, plant diseases, wartime neglect, and high production costs. As a result, we may see the dollar prices of these products maintained or even going higher.

These developments may to some extent be offset, however, by smaller spending of dollars for the account of European countries by the ECA and other U. S. agencies. Germany and Japan, too, may have fewer dollars to spend.

The effects of increased spending for imports by the United States and of higher prices of coffee, cocoa, wool and other products are already noticeable. In Brazil, Colombia, Peru, Mexico, and apparently also in Argentina, the gold and hard currency reserves have been gaining—not much to be sure—but the development is encouraging. The free market quotations for the dollar have also turned slightly downward, as will be seen from the second table. In Colombia this turn took place last September, in Brazil last October, and in Argentina and Uruguay last November, reflecting, unquestionably, higher wool prices and the firming of wheat and corn quotations.

Others Will Profit

Other coffee producing countries, El Salvador, Guatemala, and Costa Rica, are likewise bound to profit, as is also Mexico, which together with Peru and Chile should benefit from our increased purchases of non-ferrous metals and the higher prices of gold and silver in local currencies. One exception seems to be Bolivia, which up to now has profited from stockpiling and the high price of tin. With tin prices declining in recent months and larger supplies coming out of Southeastern Asia, Bolivian dollar earnings may fall off considerably in 1950. There already are indications of political troubles brewing. One way out seems to be drastic devaluation of the currency, the boliviano, and the subsequent expansion of tin mining activities. Loans from the International Bank or the Export-Import Bank for the development of other resources, mineral and agricultural, would also help.

With more dollars available, will Latin America's purchases in the United States increase? In some cases, purchases will unquestionably rise—with industrial and agricultural machinery, and transportation equipment favored. It looks as if *Brazil* may be in the market for more American equipment, particularly tractors, as part of a long-range program for industrialization which will thus be carried forward another step. On the other hand, some countries may retain their present restrictions on dollar imports in order to rebuild their gold and dollar reserves. Still others will probably apply some of the increased dollar earnings toward the reduction of their commercial and banking debts. At the turn of the year, Argentina still owed abroad about $130 million and Brazil about $90 million.

Some dollars may be used to buy more

U. S. Trade with Latin America

	Exports to				Imports from			
	1936-38 Average	1947	1948	1949	1936-38 Average	1947	1948	1949
Argentina	79	680	380	133	82	155	180	90
Uruguay & Paraguay	10	84	66	39	11	40	62	61
Sub-total	89	764	446	172	93	195	242	151
Brazil	60	643	498	413	117	446	514	492
Mexico	83	630	520	466	53	247	246	242
Cuba	79	492	441	371	127	510	374	417
Colombia & Ecuador	39	259	228	206	50	224	255	252
Dominican Rep. & Haiti	7	71	67	60	7	50	54	44
Sub-total	268	2,095	1,754	1,516	354	1,477	1,443	1,447
6 Central Amer. Repub.	46	324	238	245	27	119	132	141
Bolivia	5	28	36	38	1	40	49	51
Peru	16	92	66	88	13	42	35	42
Chile	21	125	105	145	30	122	179	163
Venezuela	41	427	516	538	23	173	273	274
Sub-total	129	996	961	1,054	94	496	668	671
Grand Total	486	3,855	3,161	2,742	541	2,168	2,353	2,269

European goods, many of which are now selling, as a result of the September devaluations, considerably below American prices. Currently Western European sales to Latin America run at the annual rate of about $1.4 billion, or just about one billion dollar less than current U. S. sales of $2.4. However, one year ago our exports to Latin America were moving at the rate of about $3.2 billion.

There has been a marked expansion in the last few months of French and Belgian sales to Latin America, and to Argentina in particular, which is taking dyestuffs, chemicals, cotton and wool yarn. In contrast, Italian exports to Latin America seem to have been losing ground in recent months. German exports are still low, running at a monthly rate of about $3 million, but the Bonn Government is planning a major export drive and is anticipating by 1952 a monthly market for about $20 million worth of chemicals, dyestuffs, small machinery and optical goods.

Currency Devaluations in Latin America

National Currency Units per U. S. Dollar:

	1947 Aver.	1948 Aver.	Lowest Rate	1949 Month	Dec. 1949
The Countries which devalued (openly or indirectly):					
ARGENTINA (peso)					
Basic rate	4.23	4.23	6.09		6.09
Curb rate	4.80	9.25	16.5	Nov.	15.80
BOLIVIA (boliviano)					
Controlled with tax	42.2	43.4	43.4		43.4
Free rate	64.1	78.1	111.2	Dec.	111.2
CHILE (peso)					
Official rate	31.1	31.1	31.1		31.1
Curb rate	47.9	60.5	102.2	Dec.	102.2
COLOMBIA (peso)					
Official rate with tax	1.82	2.13	2.33		2.33
Curb (cert.) rate	—	2.74	3.21	Sept.	2.87
ECUADOR (sucre)					
Official rate with tax	15.0	15.0	15.0		15.0
Free rate	24.6	24.6	25.0	Nov.	24.9
MEXICO (peso)					
Selling rate	4.86	6.88(a)	8.65(b)		8.65
PERU (sol)					
Official	6.5	6.5	—	—	—
Free rate	12.5	14.1	20.4	July	16.3
URUGUAY					
Official	1.90	1.90	2.12		2.12
Free rate	1.90	1.90	3.60	Nov.	3.10
OTHER COUNTRIES					
BRAZIL (cruzeiro)					
Official with tax	18.7	19.7			19.7
Free rate	23.2	26.6	32.5	Oct.	30.8

(a)—Dec. 1948 (b)—Rate since last July

Mexico's Successful Devaluation

The devaluations have also introduced a new element into Latin America's economic relationships, particularly with the United States. Since last September, Argentina, Uruguay, Chile, Peru, Paraguay, Bolivia, and Ecuador have readjusted (and in some cases greatly complicated) their multiple exchange rate systems to the new situation in Western Europe, thereby joining Mexico, Colombia, and Costa Rica which devalued earlier.

The most successful to date has been the devaluation in Mexico, which abandoned all exchange controls and let the peso find its own stable level at 8.65 to the dollar, or some 44 per cent below the old rate. As part of the peso stabilization program, however, Mexico has practically banned all importation of luxury goods, including radios, washing machines, and refrigerators from this country, and has placed quotas on the imports of automobiles and other products. To hurdle these restrictions, a number of American companies have been diversifying and expanding their operations (some of them through Mexican-owned firms) or are considering going down to Mexico.

With the exception of Venezuela, Cuba, and the Dominican Republic, which have been spared major post-war readjustments, Mexico has probably emerged from the postwar era in better shape than any other Latin American country. In contrast with its powerful neighbor to the North, Mexico has succeeded in balancing its budget. Manufacturing activity at about 163 (1937-100) is at an all-time peak, and the combination of devaluation and higher dollar prices for copper and other non-ferrous metals is putting new life into the mining industry which was sadly depressed because of high production costs. The devaluation of the peso has also been a great boon to the tourist trade; it is estimated that some 300,000 tourists visited the country in 1949, spending about $170 million or almost 40 per cent as much as the country's total exports.

Despite these gains, Mexico's international payments, particularly with the United States, remain precariously balanced and a failure of a major crop or a major export may result in a set back. This situation also explains why there are recurring rumors that "the peso will have to be revalued." Another danger is rising prices; unless they are stabilized—and there are reasons to believe that the Aleman Administration has the situation under better control—the benefits of the devaluation are likely to be lost.

Mexico's dire need is the expansion of food output and a fuller utilization of her national resources. Increased food production can come only from improved cultivating methods, which means tedious education of the Mexican farmer—or from placing more land under cultivation. The latter is President Aleman's avowed life objective—but it is a slow and expensive process involving the development of irrigation works. Currently about 10 per cent of Mexico's budget is going for irrigation works and for building electric power facilities — something unusual these days of expanding military expenditures in other countries.

Need for More Argentine-U. S. Trade

The situation in Argentina is in direct contrast with that in Mexico. While the Aleman Government has been hard at work balancing the budget and "letting in some air" by decontrolling Mexican economy and removing foreign exchange restrictions, the Peron Administration has been doing just the opposite: it tightened the lid to keep the accumulating inflationary pressure and dissatisfaction from exploding.

We have covered on a number of occasions the story of postwar Argentina. There were but a few countries in an economic position as strong as that of Argentina at the end of the war—too strong in fact, for it has misled President Peron to attempt too much at too fast a pace. The industrialization program launched in 1946 was not only over-ambitious, but wasteful, and it ignored some plain economic principles. The large Government expenditures for defense and (*Please turn to page* 580)

Investment Audit of....

SPERRY CORPORATION

By STANLEY DEVLIN

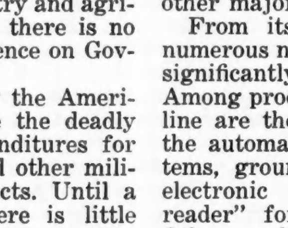
Worldwide emphasis on military preparedness accounts not only for the Sperry Corporation's remarkable growth since its introduction to the investment public in 1933, but for its promising outlook over the foreseeable future. Although its broad line of products now serves industry and agriculture as well as the military forces, there is no secret regarding the company's dependence on Government armament orders.

International tension, highlighted by the American Government's decision to produce the deadly hydrogen bomb, necessitates vast expenditures for aircraft, flying missles, naval craft and other military weapons requiring Sperry products. Until a more peaceful world materializes, there is little doubt that the company will be called upon to supply large quantities of its specialized items. But the management has also turned its attention to enlarging its market for industrial and agricultural equipment.

The companys' growth is a prime example of the fruition of inventive genius. Sperry Gyroscope Company, oldest and most important unit of the parent corporation, had its inception forty years ago when its founder, Dr. Elmer Sperry, one of the nation's most versatile scientists, successfully completed development of the gyro-compass, on which he had been experimenting for six years. Success for the new venture was assured when the Navy adopted the instrument and had it installed on the U.S.S. Delaware.

It so happened that on board the Delaware at that time were Chief Electrician Thomas A. Morgan and Ensign R. E. Gillmor. They were so favorably impressed with the possibilities for the gyro-compass that they subsequently left the Navy to join Dr. Sperry. Mr. Morgan became chief executive of the Sperry Corporation and now is chairman of the board as well as president. Mr. Gillmor became president of Sperry Gyroscope and vice-president of the parent company. Hannibal C. Ford, one of Dr. Sperry's engineers at the original installation, became president of Ford Instrument Company, another major division of the parent company.

From its modest beginning, Sperry developed numerous navigational instruments that contributed significantly to aviation's tremendous advance. Among products that have broadened the company's line are the automatic pilot, the artificial horizon, the automatic direction finder, gunfire control systems, ground armament devices, radar and other electronic devices including the famous "zero reader" for landing airplanes in blind weather. Other products include agricultural equipment, hydraulic equipment and control mechanisms and a wide variety of electrical devices such as transformers, rectifiers, communication systems, printing equipment, automotive service tools, etc.



Significant Growth Trend

The extent of growth may be best illustrated by a comparison of sales and earnings figures. From insignificant amounts in its early years as a privately owned company, the company's shipments increased to about $3.5 million in 1933 and earnings rose to $455,000. This was the year the company became a publicly owned corporation when its shares were distributed (as voting trust certificates) to stockholders of North American Aviation, Inc. Net income more than doubled in 1934 and dividends were initiated with a payment of 25 cents a share.

Sales and earnings expanded, notably during the war, and dividends have been paid annually without interruption. For more than a dozen years, payments have ranged

from \$1.50 to \$2 a share. During the war, shipments reached a peak of \$429 million, after renegotiation, while since the end of hostilities volume has ranged from \$66 million to over \$120 million a year. Statistical data detailing significant income account and balance sheet information may be found in an accompanying tabulation.

It might be supposed such rapid expansion would involve considerable enlargement of capitalization. The contrary is true. Wide extension of activities has been financed entirely out of accumulated working capital, except in a couple of instances, which resulted in issuance of 82,454 shares of capital stock. Long-term borrowing was undertaken for the first time last year. The company has a funded debt of about \$20 million and 2,031,565 shares of common stock are outstanding.

Last Year's Results

Complete figures for 1949 are unavailable as this is written, but preliminary estimates indicate that sales last year declined about 10 per cent from the 1948 total of \$120.8 million and profits apparently fell more sharply. Net income may have dropped to about \$2.50 a share from \$4.32 a share in 1948. This result reflected chiefly adverse effects of disappointing farm equipment business. Demand for hay balers apparently failed to reach projected volume with the result that manufacturing costs were disproportionately higher than had been anticipated. Closer control over operating costs, inventories and other vital factors is contemplated this year.

The backlog of unfilled orders is believed to have reversed an earlier downtrend as a result of increased Government appropriations for national defense. Toward the end of 1949, orders on hand are estimated to have declined to about \$120 million from \$162 million at the end of February, 1949, and \$130 million as of June 30.

Prospect for enlargement of business this year is closely related to increased national defense expenditures. Press dispatches recently quoted General Joseph T. McNarney, head of the Defense Department economy committee, as saying that almost every industry would share in the \$6 billion of orders the military services expect to place in the coming fiscal year. Sperry should benefit considerably because more than \$2 billion is slated for purchase of 3,500 airplanes, \$300 million for work on warships, \$150 million for tanks and anti-aircraft guns and \$40 million for bombs, rockets and other modern ordnance. Accordingly, with indications pointing to increased shipments of military supplies and more satisfactory results from the farm equipment division, earnings of Sperry this year may be expected to compare more favorably with the 1948 showing than last year.

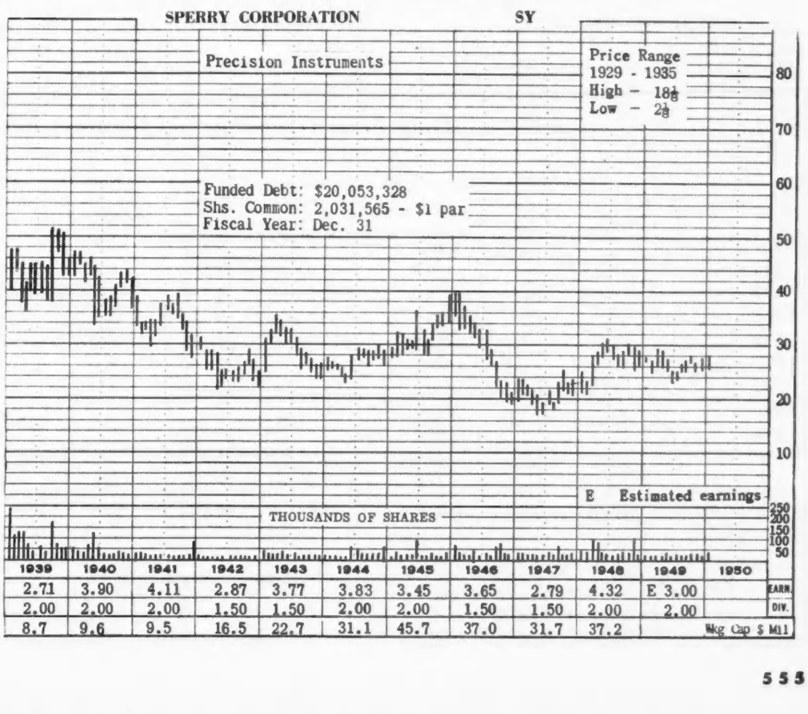
With recovery in military orders and probably some shrinkage in sales of agricultural and industrial products, Sperry may achieve a better balance in operations this year. Government purchases last year are estimated to have represented a higher proportion of shipments than in 1948, when about 37 per cent of total volume was accounted for by the military services. In 1947, civilian and military business was about evenly divided, but generally in the past, especially during the war, Government contracts have represented more than half of total volume.

In appraising prospects for the company, allowance must be made for the importance of military orders in maintaining production at a profitable

Comparative Balance Sheet Items

ASSETS	December 31, 1940	1948 (000 omitted)	Change
Cash	\$ 8,512	\$ 5,136	—\$ 3,376
Receivables, Net	5,380	13,905	+ 8,525
Inventories	17,398	40,315	+ 22,917
Other Current Assets	1,883	759	— 1,124
TOTAL CURRENT ASSETS	33,173	60,115	+ 26,942
Plant and Equipment	8,510	25,067	+ 16,557
Less Depreciation	2,544	12,513	+ 9,969
Net Property	5,966	12,554	+ 6,588
Investments	1,342	1,430	+ 088
Other Assets	600	121	— 479
TOTAL ASSETS	\$41,081	\$74,220	+\$33,139
LIABILITIES*			
Accounts Payable	\$ 2,636	\$ 7,534	+\$ 4,898
Accruals	11,832	8,013	— 3,819
Accrued Taxes	9,032	7,302	— 1,730
TOTAL CURRENT LIABILITIES	23,500	22,849	— 651
Reserves	....	2,318	+ 2,318
Common Stock	2,015	2,031	+ 016
Surplus	15,566	47,022	+ 31,456
TOTAL LIABILITIES	\$41,081	\$74,220	+\$33,139
WORKING CAPITAL	\$ 9,673	\$37,266	+\$27,593
CURRENT RATIO	1.4	2.6	+ 1.2

(*)—June 1, 1949, Company sold \$20 million 3⅛% S. F. Debentures due June 1, 1969.



level. To accommodate the current enlarged demand for armament components of one kind or another and to endeavor to find peacetime products capable of taking up the slack as military business recedes, it is necessary for the management to maintain extensive productive facilities and to display considerable skill in manufacturing and marketing civilian products in competition with concerns which may specialize in similar lines. Sperry's wartime record in boosting output to record proportions and in cutting back to an abnormally small volume after V-J Day testifies to management's ability to adjust operations to rapidly changing conditions.

As a safeguard against unforeseen developments in an industry so closely allied with political and military forces, the company has adopted a policy of maintaining a strong financial position. Working capital rose from about $2.9 million sixteen years ago to $37.3 million at the end of 1948 and possibly to above $40 million now. Net book investment in plant, property and equipment increased from about $1.7 million to slightly more than $12.5 million at the end of 1948.

Enlarged Facilities for Diversification

Diversification necessitated enlargement of productive facilities, and it was thought wise to decentralize manufacturing activities to avoid building up excessive working forces in any particular location. Just prior to the beginning of the war, the company spent about $10 million in acquisition of properties which it foresaw would probably be required.

Properties have a value well in excess of balance sheet figures or even original cost, it is estimated. Properties acquired during the war as emergency facilities were written off under amortization provisions of internal revenue laws pertaining to war facilities and have not been reinstated on the company's books. Properties thus acquired and still owned by the company have an estimated depreciation value of about $5 million. Substantial purchases of machinery were made in 1946 and 1947 at advantageous prices in settlement of contracts and leases with the Government as well as with subcontractors.

The decision last year to resort to long-term borrowing was necessitated by expansion of farm equipment sales. Until 1948, practically all shipments in this division had been on a cash basis, due to urgent consumer demand and prosperity of farmers; but with return to normal competitive conditions in an industry which traditionally sells largely on an installment basis, it became necessary for Sperry to extend credit to distributors and dealers. Inasmuch as the company's cash resources were insufficient to undertake this activity, it became necessary to arrange bank loans. These were paid off when permanent financing was arranged.

Although diversification was undertaken to counteract complete dependence on military orders, a measure of stability has been achieved in aircraft business developed partly in connection with military research projects. The fabulous "zero reader," for example, which is expected to greatly increase safety in air travel, may prove an important addition to the company's line of aircraft instruments. Tests still are being conducted with the instrument in cooperation with the Air Navigation Development Board. The problem of perfecting the device and having it generally adopted is well in hand and company officials contemplate that the instrument may be in general use within three or four years. Pilots who have tested it are enthusiastic.

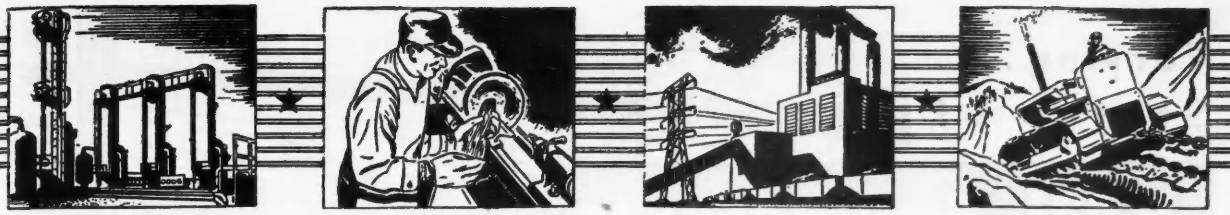
"Zero Reader" — An Outstandng Development

The importance to aviation of the "zero reader" is ranked in importance with the development of the gyro-driven turn indicator by the late Lawrence B. Sperry, son of the company's founder, who in his own right was one of the nation's pioneer aviation figures. The turn indicator made blind flying possible. The "zero reader" is designed to make possible safe blind approaches. Commenting on progress in air safety, a veteran American Airlines pilot, H. W. Sheridan, was quoted some time ago as saying: "In a generation of flying I have seen no instruments save these two which could be described as revolutionary." General adoption by commercial airlines of the instrument promises to make air travel safer. It is expected *(Please turn to page* 578)

Long Term Operating and Earnings Record

	Millions — Net Sales	Millions — Operating Income	Operating Margin %	Net Income ($ Million)	Net Profit Margin %	Net Per Share	Div. Per Share	Price Range
1949 (1st half)	$ 61.4	$ 5.9	9.6%†	$3.7	6.0	$1.82	$2.00(a)	29¼-22¾
1948	120.8	13.9	11.5	8.7	7.2	4.32	2.00	30⅞-20¾
1947	75.0	2.7	3.7	5.6(b)	7.5	2.79	1.50	24⅜-16¾
1946	65.7	13.7(d)	Nil	7.4(c)	11.2	3.65	1.50	40½-18⅞
1945	291.2	29.4	10.1	6.9(e)	2.3	3.45	2.00	39 -27⅛
1944	427.1	47.4	11.1	7.7	1.8	3.83	2.00	29¾-22⅞
1943	460.0	71.6	15.5	7.5	1.6	3.77	1.50	35¼-23½
1942	216.2	30.3	14.0	5.7	2.6	2.87	1.50	31⅜-21⅝
1941	99.8	28.2	28.3	8.2	8.3	4.11	2.00	39¾-27⅛
1940	47.5	14.7	31.0	7.8	16.5	3.90	2.00	47 -33
1939	24.8	7.2	29.1	5.4	21.9	2.71	2.00	51⅞-36
10-Year Average 1939-48	$182.8	$25.9	15.4%	$7.0	8.0%	$3.54	$1.80	47 -16¾

*—Pre-tax income
†—Pre-tax margin
(a)—Full year
(b)—After credit for provision for post-war adjustments of $2.4 million
(c)—After $21.5 million credit for post-war tax refunds and readjustments
(d)—Deficit
(e)—After $1 million provision for post-war readjustments



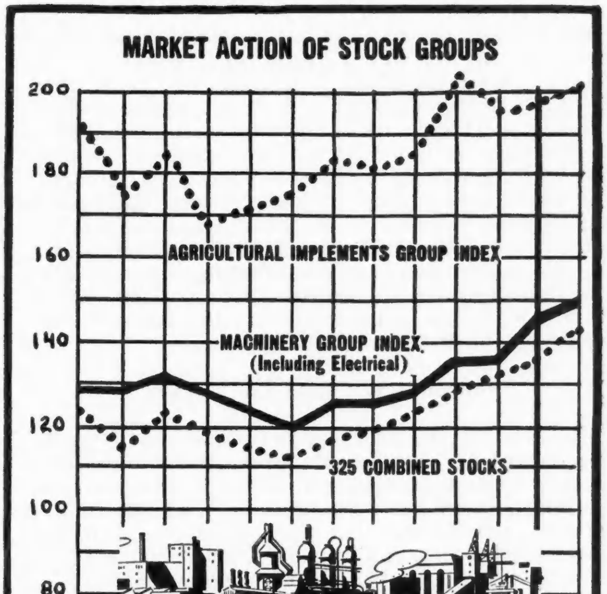
1950 Special Re-appraisals of Values, Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Tobaccos, Rail Equipments, Electrical and Farm Equipment Shares

Part II

Business has entered the new year showing signs of vigorous recovery not only from the effects of the strikes last October but also from the recessionary trends which prevailed during the forepart of 1949. The general level of activity in recent weeks has held close to that of a year ago, when the 1949 recession had barely begun and operations were at a high mark. Year-end forecasts reflect a general anticipation of well-sustained volumes of production and trade in the first half of the year but uncertainty regarding trends during the last half, arising primarily from misgivings over the amount of business investment and the need for further readjustments, particularly in durable goods industries.



It would be premature to insist, as some do in view of the present production spurt, that economic readjustment is completed. It is simply that last year's strikes have upset the short term time table of adjustment and once the strike aftermath is over, adjustment is bound to resume especially in areas little affected in the past. Thus 1950 no less than 1949 may witness numerous cross currents which are bound to affect not only business generally but also create varying prospects for specific industries and companies.

To assist our readers in arriving at sound investment decisions under changing conditions, The Magazine of Wall Street presents its Security Re-appraisals and Dividend Forecasts at six months intervals, in addition to its regular coverage of important developments. By this method, the maximum number of industries are periodically reviewed on the basis of latest information, supplemented by statistical data for ready comparisons. Additionally, brief comments on the status of each company listed are presented.

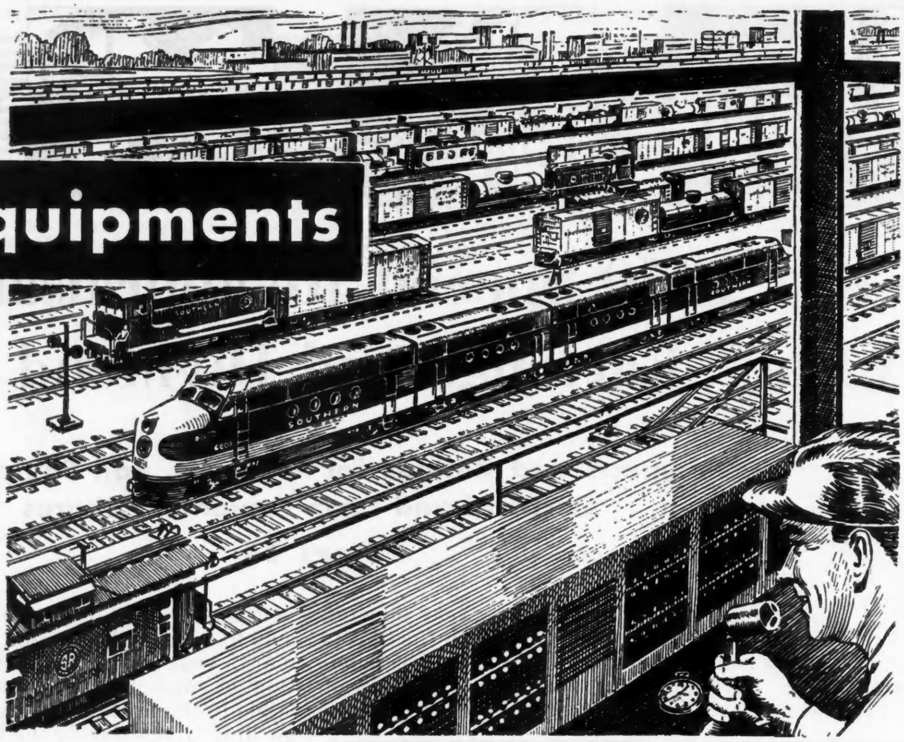
The key to our ratings of investment quality and current earnings trends of the individual stocks—the last column in the tables preceding our comments—is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal. The accompanying numerals indicate current earnings trends thus: 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of high grade investment quality with an upward earnings trend.

Stocks marked with a "W" in the tabulation are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter "X." *Purchases for appreciation should of course be timed with the trend and investment advice presented in the A. T. Miller market analysis in every issue of this publication.*

Varying.... Status of RAIL Equipments

BY

H. S. COFFIN



At the start of 1950, the traditionally unstable railway equipment industry seems likely to emerge from last year's period marked with a near vacuum of incoming new orders, although progress will be slow in most divisions. Despite a prospect for improved conditions, however, a further downtrend in earnings by the majority of concerns in the group is expected because backlog orders are at low ebb, many plants have been closed or put on low production schedules and some time will elapse before unfilled orders can mount to profitable proportions.

In discussing the outlook for this industry last summer, we described it as "bleak," an appropriate expression as shown by the fact that in the balance of 1949, most of the freight car builders struggled to stay open as long as dwindling backlogs permitted. Looking ahead into 1950, now that unfilled orders have reached dismally low proportions, it appears probable that their low point may have been reached and that improved conditions of the railroads will encourage the latter to reenter the market for new rolling stock on an increasing scale. Indeed, since late in 1949 a number of rail managements have been active in placing orders for locomotives, while inquiries involving a substantial number of freight cars have aroused new hope among car builders.

Before examining the current outlook in more detail, it is well to understand the status of the industry at the close of 1949 and the severe readjustment problems it had to contend with last year. As of January 1, total backlog orders for freight cars from Class I railroads had contracted to 14,368 units compared with 89,437 a year earlier. Worse yet, 11,256 cars of the total were planned for construction in the railroads' own shops, leaving a nominal number of 3,112 for outside car builders. As in combination, the foregoing orders represented hardly more than six weeks' business at the rate attained in the early months of 1949, and much less for the independent car manufacturers, the picture was indeed gloomy, to say the least; so much so that even a moderate improvement in the current year would establish favorable comparisons.

Railroads Withhold Car Orders

Reasons for the progressive decline in activity by the freight car division are provided by the traditionally abrupt departure of the railroads from the car markets at the first signs of economic uncertainties, not to mention their desire to wait for lower steel prices. Additionally, almost 300,000 new cars delivered in postwar had strengthened the overall fleet that had deteriorated substantially during hostilities. Reduced carloadings last year, work interruptions, rising costs, the struggle to win higher rates, and evidence of declining railway earnings strongly influenced the carriers to defer placement of new freight car orders, for they could comfortably coast along with such equipment as they already had. In reflection of these factors, freight car orders by the Class I railroads placed in 1949 were for only 6248 units compared with 92,787 units ordered in 1948.

As usually happens, however, such a lag in orders tends to build up deferred demand, and in this respect the freight car builders are no exception. By drawing heavily on their backlogs last year the

group, including the railroad shops, put in service 84,669 new units compared with retirements of 90,348, of which 16,636 were accounted for in December alone. The figures clearly indicate a net decline on balance, besides an increasing downtrend of late.

In the circumstances it has hardly been a surprise that the encouraging economic outlook for the first half of 1950 has tended to stimulate both inquiries and actual orders for freight cars. While complete figures have not become available, the American Railway Car Institute estimates that orders placed in January were probably around 9,385 cars or half as much again as total 1949 placements. February got off to an equally good start, with orders thus far exceeding 6000 cars. Contributing to the February total was an order for 1000 cars placed with American Car & Foundry Company by the Chicago, Rock Island & Pacific Railway, and 4500 more ordered by the New York Central Railroad, construction of the latter to be divided between Pullman-Standard and the railroad's own shops. While larger orders than the foregoing will have to be forthcoming in the near term, the current trend is encouraging. Pressure has been brought on the nation's railroads to order at least 60,000 freight cars in the

Position of Leading Rail Equipment Companies

	Order Backlog* ($ mill.)	Net Per Share Est. 1949	Net Per Share 1948	Div. 1949	Div. Yield %	Price-Earnings Ratio†	Recent Price	Range 1949-50	Investment Rating	COMMENTS
American Brake Shoe	$13.4	$3.30	$4.42	$2.00	6.0%	10.2	33⅝	35 30½	B2	Replacement business and sales of automotive equipment stabilizing factors but reduced backlog may lower earnings. 50 cents quarterly dividend probably safe.
American Car & Foundry	61.0	2.09 a	4.85 b	3.00	10.9	13.1	27½	33½-21½	C+3	Backlog still quite large but sharply reduced earnings may preclude payment of an annual dividend equal to last year's $3 per share.
American Locomotive	74.0	2.15	2.30	1.40	8.6	7.5	16¼	18⅞-12⅜	C+2	Outlook for production of Diesels rather favorable but competition may narrow margins and coverage of 35 cents quarterly dividends may narrow.
Baldwin Locomotive	57.5	1.10	1.26	.75	6.2	11.0	12⅛	12⅝- 8⅝	B3	Smaller unfilled orders, cessation of dividends from Midvale Steel and high costs will likely induce smaller earnings. In the first half year, at least, no change in the 25 cents quarterly rate is probable.
Budd Co.	130.0	3.75	2.48	.70	5.1	3.9	13⅝	14¼- 7½	C+1	Outlook enhanced by large sales of automotive equipment and stainless steel railway cars. Improved earnings suggest stability of advanced 25 cents quarterly rate.
General Amer. Transp. W	......	5.50	5.73	3.00	6.1	8.9	48¾	48¾-41¾	B2	Earnings may moderately recede but basic stability of car leasing business assures dividend continuity of 75 cents quarterly rate.
General Railway Signal W	......	2.35	3.88	1.75	8.0	9.3	22	23 -15¼	B2	ICC required purchase of signal devices by leading railroads assures stable earnings. Conservative 25 cents quarterly dividends secure with prospect of year-end extra.
Lima-Hamilton	......	1.20	2.18	.60	7.0	7.1	8½	10¼- 6⅝	B3	Lower sales of Diesels and power shovels expected and earnings may recede, although conservative 15 cents quarterly dividends should not vary.
New York Air Brake	——	4.90A	6.35	2.00	6.2	7.2	29	33½-24¼	B3	While both primary and replacement orders may decline and earnings recede, acquisition of an unrelated business may prove constructive. In the near term, the 75 cents dividend seems safe.
Poor & Co. "B"	......	2.25	3.33	1.50	10.6	6.2	14⅛	14⅜- 8⅞	C+3	Backlog orders far below a year earlier but new orders likely to expand. The 25 cents quarterly dividend seems well secured.
Pressed Steel Car	......	1.10	2.36 d	Nil	Nil	Nil	7⅞	8¼- 4⅝	C3	Plant shutdowns and exhausted backlogs should adversely affect 1950 earnings to a point that makes payment of common dividends improbable.
Pullman	130.0	2.25	3.18	2.00	5.7	15.4	34¾	37 -30⅛	B3	Much reduced unfilled orders likely to impair earnings in near term months, though engineering subsidiary should do well. Large cash resources protect 50 cents quarterly dividends.
Symington-Gould	......	.50	.28	.50	7.7	13.0	6½	7⅛- 3⅝	C3	A producer of castings facing probably lower earnings despite entry into gasoline pump field. Erratic earnings cloud dividend outlook.
Union Tank Car	......	2.90	3.77	2.60	8.0	11.3	32¾	36¾-30⅜	B3	Largest owner of tank cars, now in heavy demand. Competition from pipelines and trucks may reduce 1950 earnings and payment of 65 cents quarterly dividends may seem a bit too liberal.
Westinghouse Air Brake	......	3.00	5.00	2.00	7.5	8.7	26¾	34¾-21¼	A3	Downtrend in 1949 earnings may extend in current year, at least in near term, but large cash resources should stabilize 50 cents quarterly dividends.
Youngstown Steel Door	......	1.00	3.02	1.00	7.3	13.7	13¾	14¾-10½	B1	Some recovery from 1949 reduced earnings probable in view of recent substantial orders, thus suggesting no change in the 25 cents quarterly rate.

*—Latest available figures.
†—Based on estimated 1949 earnings.
(a)—6 months to October 31, 1949.
(b)—Fiscal year ending April 30, 1949.
(d)—Deficit.
(A)—Actual.

current year. A good many roads are now probing the markets to ascertain prices. Should these inquiries become orders, and many other railroads reenter the market in the near term, the freight car division may have a more encouraging outlook before long, though orders would have to pile up at a very substantial rate to provide a desirable amount of business for the large concerns dependent on mass production to operate profitably.

Earnings Downtrend in First Quarter

On the whole, a sharp downtrend in earnings by many freight car builders in at least the first quarter of 1950 seems clearly indicated, though in some cases the trend may be moderated by ample supplies of steel and the ability to make speedy deliveries now that backlogs have all but vanished. At best, comparisons with 1948, when the car builders were able to operate on accumulated fat, seem pretty sure to look discouraging in the forepart of this year. As 1950 unfolds, much will hinge on the outlook for the second half year, or possible steps taken by Congress to assure an adequate freight car fleet in connection with the Defense Program or to prevent increasing unemployment in this important segment of the economy.

Such freight car builders as also produce passenger cars have a somewhat brighter prospect of stabilizing their margins, since unfilled orders for more than 1,000 units of this kind will require fully a year to complete. In this special division, for example, both American Car & Foundry Company and Pullman-Standard should benefit to some extent by substantial backlogs, although the latter have been gradually depleted from the 1949 peak. The Class I railroads placed scarcely any orders last year for new passenger cars and profits of their manufacturers were severely limited by widely varying specifications, causing a strong prospect of stiffer prices.

This fact in itself lends an encouraging outlook for larger orders in the current year, also because for months past, the railroads and passenger car builders have gotten together in a program to standardize specifications considerably. As a result of this move, the railroads will likely place an increasing amount of orders in 1950 for the most up-to-date passenger cars in their efforts to meet heavy competition from airlines and motor transportation, in the process perhaps lowering construction costs so that the manufacturers will be able to operate more profitably on this class of business. Now that the steel companies have lifted their prices, the railroads no longer will be prone to defer order placements because of possible lower materials costs.

Good Outlook for Diesel Locomotive Builders

The outlook for manufacturers of Diesel-electric locomotives carries considerable hope for fairly well sustained operations in the current year. The efficiency of these Diesel powered engines for freight, passenger and switching use has become so well recognized that an investment in them measurably reduces railway operating costs. Although the number now on the rails is still relatively small compared with steam locomotives, the amount of freight traffic on a gross tons miles basis hauled by Diesels increased from about 10% in 1946 to 34% in 1949, compared with a decline from 70% to 50% by steam locomotives in the same span. Of 1,865 new locomotives installed last year, 1,808 were diesels against 57 for steam. While unfilled orders at the start of 1950 were slightly below a year earlier, the total of 898 units included 881 Diesels, 4 electric and only 13 steam locomotives.

In recent weeks, new orders have tended to increase for Diesels, the Southern Pacific Railway system placing commitments for 90 and the New Yor Central for 137. Southern Pacific has lately announced that within a few years it plans to completely Dieselize its entire system, and even now the New York Central Railway has in use 998 Diesels with a combined horsepower rating of more than 1.1 million, 72 of which are employed in passenger traffic. The manufacturers of Diesel locomotives are now well geared for mass production, as shown by promised delivery on the New York Central order beginning in June, and with completion before the end of 1950.

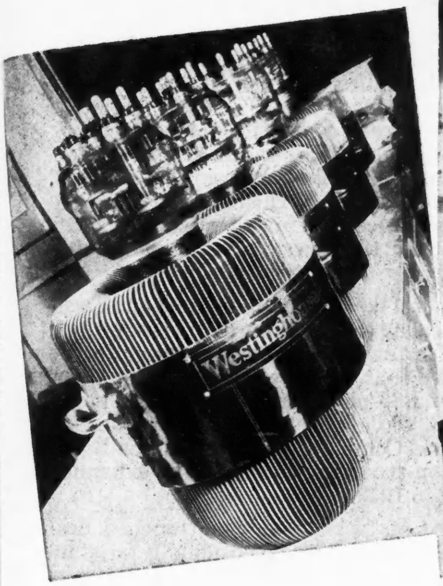
While to speed up deliveries, the railroads usually apportion their orders among the leading locomotive manufacturers, competition has become so heavy that profit potentials in this field are rather limited. Aside from this, the Electro-Motive division of General Motors Corporation seems to be getting the lion's share of Diesel locomotive business, this concern landing about 67% of all orders placed by Class I roads in 1949 on a horsepower basis, compared with 13% for American Locomotive, 12.5% for Baldwin and smaller percentages for Fairbanks-Morse and Lima Hamilton. General Motors of course was the pioneer in the Diesel division of the industry and has forged ahead to maintain its lead. All of the foregoing manufacturers, however, have enough business on the books or in sight to keep them active in the current year, although their profit margins are none too satisfactory and would be vulnerable to even a moderate decline in new orders.

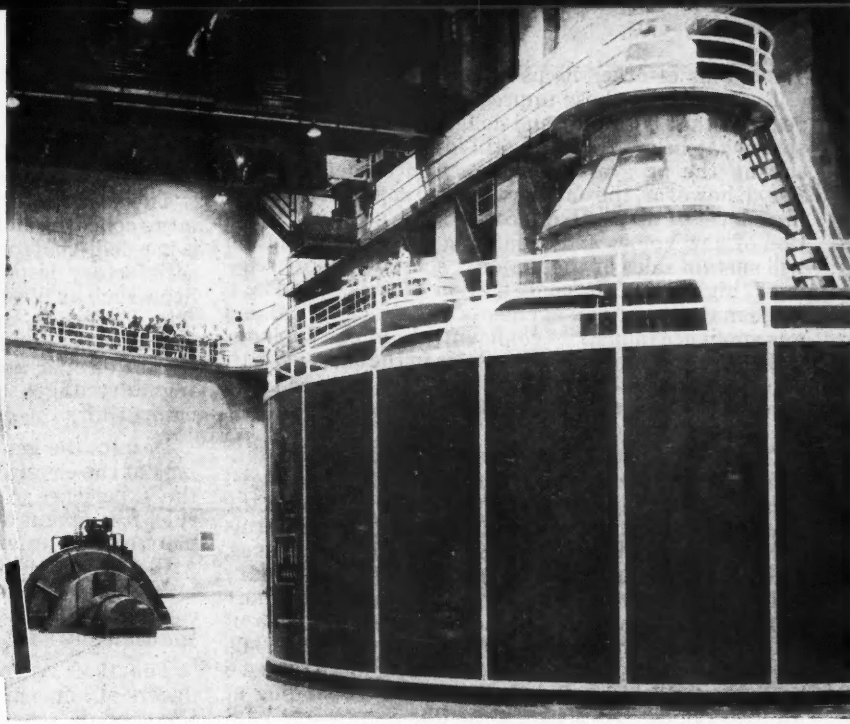
Varied Prospects for Parts Makers

The outlook for suppliers of railway parts equipment, switches and signals in 1950 is varied. The current low level of freight car construction severely restricts output of air brakes, for example, except on a replacement basis, and even here it is a common practice among the railroads to salvage brakes from retired rolling stock to use as repairs. The ICC requirement to fit all cars with air brakes has now become substantially fulfilled, as only about 13% of freight cars now lack this equipment. On the other hand, parts manufacturers will derive some advantage from the fact that their markets include not only the leading independent car builders but the railroad shops as well, and that repair business is relatively stable.

How the recent spurt in orders and inquiries for freight cars has brightened potentials for at least some specialists in the parts division is shown by the experience of Youngstown Steel Door Company. Orders for car doors and sides received since the first of January are understood to have tripled the backlog of this concern and restored it close to the level of a year earlier. Production in January was rapidly stepped up and further increased in February, indicating more profitable operations following a six month's period close to the break-even point.

The ICC ruling that called for protective devices on 45,000 miles of main line railroads promises to sustain volume of their producers on a relatively high level in the current (*Please turn to page* 580)





How Sound is Spurt in... Electrical Equipments?

By H. F. TRAVIS

Producers of heavy electric equipment and home appliances have sound reasons for their current optimism over sales potentials in the first half of 1950. Beyond then, the outlook is somewhat obscured by general economic uncertainties, but barring any serious developments later in the year, most of the leading firms in the industry anticipate continued good progress.

The current status of the industry, compared with a year ago, shows marked improvement. Early in 1949, manufacturers of virtually every type of electrical appliances, including refrigerators, washers, ironers, toasters, ranges and the like, experienced a sharp drop in dealer demand due to the widespread urge to reduce inventories. For many months following, accordingly, the manufacturers had to struggle with their own inventory problems, downward price revisions and sharply curtailed production schedules, — all to the detriment of interim earnings.

By last October, however, demand abruptly spurted when distributors realized that their stocks might prove quite inadequate to meet peak demand in the approaching holiday season. A good many manufacturers had underestimated the extent with which pipelines would have to be refilled and were poorly prepared to cope with the deferred demand that the readjustment period created, although a substantial uptrend in net earnings in the fourth quarter reflected generally heightened activity in the industry. This improvement would have been much more notable late last year had it not been for steel shortages due to the long strike.

At the start of the current year, the broad restoration of business confidence encouraged dealers to carry heavier inventories as signs became clear that consumers would have both the means and the desire to purchase large amounts of appliances during the months ahead. This factor was strengthend by increasing evidence that the rise in steel prices would be a stabilizing influence on the appliance price structure and might even lead to higher quotations in coming months. As a result of all these influences, backlog orders of most appliance manufacturers have risen impressively since the first of the year, in many cases forcing order allocations to dealers and starting factory wheels humming on a scale similar to booming 1948.

How readily the American public has recognized the utility and convenience of greatly improved electrical equipment in the home is shown by the fact that retail purchases in 1949 aggregated more than $3.1 billion, despite upset market conditions last year, involving more than 48.5 million units. These figures do not include radio and television sets as we are not covering this branch of the industry in our discussion. The list was headed by approximately 4.4 million refrigerators valued at $1.1 billion, and 3.2 million clothes washers with a retail value of more than $534 million. The public also spent last year more than a quarter billion dollars for electric ranges and almost as much for new vacuum cleaners, not to mention very large sums

for dozens of other items in the appliance field.

Regardless of these impressive totals, it should be realized that both unit and dollar sales last year were somewhat below 1948 and still less than in 1947. Offsetting the progressive satisfaction of deferred demand, however, the outlook for 1950 suggests that the high level of disposable income, large scale construction of new homes and expanding rural electrification will sustain sales of the major concerns at an increasingly high point. In confirmation of this surmise, a large majority of managements in both electrical and gas appliance industries confidently predict a substantial uptrend in unit and dollar sales in the current year.

Boost Through Housing Boom

Contributing to this optimism is the increasing tendency of residential builders to offer "packaged homes," that is to say, completely equipped with the most modern conveniences. Liberal mortgage terms permit the purchase of a full equipment of stoves, dishwashers, refrigerators, food disposal and laundry units, etc., on monthly instalments of not much more than $5 per month. Additionally, more than 80% of the nation's farms were electrified by the end of 1949, creating a market for appliances among more than 4.5 million rural homes, and the number is expanding at an average rate of 45,000 a month.

Considering the record financial resources of the farmers and the fact that more than 400 uses for electrical appliances have been developed in this field, it is hardly a surprise that annual purchases of this equipment now exceed $400 million, with strong chances for a steady uptrend. The demand for food freezers in the farm market is exceptionally strong, estimated at more than $200 million annually, according to the Edison Electric Institute, with electric ranges and water heaters ranking next.

Leading managements appear unanimous in their opinion that following last year's pause in production of all kinds of electrical appliances, output in the first half of 1950 will expand from 10% to 25%, granting that troubles in the coal industry does not force curtailment of schedules. In scanning potentials for the full year, optimism is scarcely less restrained and this applies as well to the longer range outlook. In reflection of this confidence, some units in the industry are now operating on a six-day week, three shift-basis, while others have announced plans to spend sizable sums for plant expansion.

Industry Anticipates Good Year

Among the major concerns anticipating a very satisfactory year are Westinghouse Electric, General Electric, Philco, Nash-Kelvinator, and the Crosley division of Avco, to mention only a few. That market saturation for appliances has been far from reached, in the view of General Electric Company, is shown by its recently announced plan to construct a new $12 million plant for its Hot Point division. Considering that the appliance and service divisions of General Electric have spent about $50 million on plant improvements, this latest move carries considerable significance.

The prospect for stable operations in the current year is much enhanced as regards the manufacturers of heavy electrical equipment. Backlog orders for giant generators and similar equipment stemming from the public utilities are of such proportions that their leading suppliers will maintain capacity operations for a year or more. The multi-billion dollar program of the utilities to expand electric power output is far from complete and in the current year, their expenditures for essential equipment seem certain to average around $750 million quarterly.

The heavy equipment business is limited to such few large concerns and so much time and engineering skill is needed, that operating margins usually are quite satisfactory despite strong competition. Furthermore, firms such as Westinghouse Electric and General Electric, leaders in the heavy electrical equipment field, should benefit by spreading overhead over a complete line of electric appliances, giving them some operating advantages over their less favorably situated competitors.

Despite the general downtrend in volume and earnings of the electrical appliance manufacturers in 1949, the experience of a few concerns ran counter to the rule. It is estimated that Westinghouse Electric Company earned around $5 per share last year compared with $3.88 in 1948, while a probable moderate decline by General Electric Company would be partially accounted for by non-recurring income that expanded the company's net in 1948.

The 1949 record of two strongly entrenched producers of home appliances was exceptionally satisfactory and deserves comment because their experience highlights the importance of unusually good trade positions. One of these units, Sunbeam Corporation, reported a 1949 volume of $50.2 million, 25% above 1948, while net earnings of $10.83 per share advanced about 27%, both establishing all-time peaks. McGraw Electric Company acquired several other businesses last year to round out its already very popular lines, and to judge from interim reports will also report a record year, with estimated earnings of $7.20 in 1949 against $5.74 in the preceding year.

Return to Normalcy

On the whole, the electric appliance industry and the great majority of its components should make a good showing in 1950, if only because of favorable comparisons with the preceding period so broadly affected by readjustment problems now fairly well eliminated. Operations in the current year, if not hindered by labor upsets, seem likely to reflect a return to normalcy with fortune favoring the more aggressive and more efficiently managed concerns. Executive officials in every direction foresee unusual opportunities in the current year, but are also aware that competition will be keener than ever before.

Because of heightened competition, considerable courage will be required by most concerns in the field to raise prices as an offset to higher steel prices; where this does not prove feasible or wise, margins may narrow somewhat. Net earnings, accordingly, may not rise proportionately with prospectively higher sales and in some cases could actually recede somewhat. Individual company experience in this respect will vary widely.

Following a relatively sharp decline in the first half of 1949, shares of the electric equipment makers have recovered at a rather faster pace than the general market. These trends reflect the volatile characteristics of the industry and impart a highly speculative color to shares in this division. Holdings should center mainly on the stronger concerns well entrenched with the trade and with considerably diversified output.

Position of Leading Electrical Equipment Companies

	—Net Per Share— Est. 1949	1948	Div. 1949	Div. Yield %	Price-Earnings Ratio†	Recent Price	Range 1949-50	Investment Rating	COMMENTS
Apex Electrical	d $2.15 b	$4.25	$ .25	3.5%	....	6⅞	8¼- 5	C2	Manufacturer of vacuum cleaners and washers severely affected by 1949 re-adjustment troubles. Common dividends omitted last spring and resumption obscure.
Black & Decker	4.18 c	7.30	2.50	8.6	7.0	29	30½-22⅜	C+3	Largest maker of electric portable tools. Moderately lower earnings likely in 1950 but 50 cents quarterly dividends should not vary.
Carrier Corp.	2.72 e	4.19	1.00	5.5	6.6	18⅛	19½-12½	C+1	Leading producer of air conditioning equipment. Sales and earnings should improve somewhat from 1949 lower level. The 25 cents quarterly dividends appear safe.
Cornell-Dubilier	.86 c	.84	.80	6.4	14.5	12½	13½- 7	C+1	Specialist in electronic devices for television. Favorable outlook for larger volume and earnings in current year. Coverage of dividends narrow but continuance of 25 cents quarterly rate possible.
Cutler-Hammer	3.50	5.49	2.00	8.3	6.8	24	26¼-19⅞	C+2	Strong position with customers using electric control devices enhances 1950 profit potentials. 30 cents quarterly dividends likely, with probable year-end extra.
Emerson Electric	1.16 c	3.02	1.00	7.1	12.0	14	15½- 8½	C+2	Moderate margins on large scale military orders likely to restrict earnings this year, but no change in 25 cents quarterly dividend is indicated.
Eureka-Williams	d 1.48 f	.24	Nil	....	....	5⅜	6¼- 3¾	C1	Sharp uptrend in sales of oil burners and vacuum cleaners lately indicates improved earnings in 1950. But no dividends on common likely for some time. None paid in 1949.
General Electric X	3.80	4.29	2.00	4.5	11.7	44⅜	45 -34	A1	Large backlog orders for heavy equipment, appliances and television items favor an uptrend in earnings this year. Total dividends in 1950 should at least equal the $2.50 paid in 1949.
Master Electric	1.35	3.03	1.00	6.6	11.2	15⅛	19½-11¼	B2	Producer of large and small electric motors, demand for which will vary in current year. Strong trade position an aid in stabilizing sales. The 25 cents quarterly dividend not likely to change.
Maytag	3.25	4.44	1.25	9.1	4.2	13¾	14 - 7⅛	C2	Increased demand for washers, and a strong dealer organization, will probably improve 1950 earnings. The 25 cents quarterly dividend may again be supplemented with a year-end extra.
McGraw Electric X	7.20	5.74	3.50	7.3	6.6	47½	48 -29⅛	B2	Addition to company's popular Toastmaster line of appliances by acquisition of numerous non-competitive items enhances 1950 potentials. Larger earnings last year protect 75 cents quarterly dividends. Increased liberality possible.
Noma Electric	d 1.41 g	4.39	(i)	....	....	9⅝	14 - 6⅞	C1	Unprofitable divisions—now eliminated—sharply reduced earnings in fiscal 1949 but rapid improvement indicated ahead. Resumption of dividends possible before long.
Servel	d .51 e	3.00	.30	2.3	....	12⅞	13⅝- 6¼	C+1	Increased sales of gas refrigerators and air conditioning units should benefit earnings. Small annual dividend may be paid at year-end.
Square D X	2.25	2.71	1.40	8.6	7.2	16⅜	18¼-13⅛	B2	Strong trade position enhances 1950 volume potentials, aided by production of new items. The 25 cents quarterly dividends appear secure.
Sunbeam X	10.83 a	8.52	3.00 j	4.6	6.0	64⅝	65½-28	B2	Marked uptrend in earnings caused by product popularity and expanded facilities. Last year's wide coverage of $3 dividends assures stability or increase in current year.
Sylvania Electric	1.75	2.84	1.40	6.1	13.0	22⅞	24½-17⅛	B2	Increased volume expected in broadly diversified lines, but lower prices may narrow margins. No change in 35 cents quarterly dividend indicated.
Westinghouse Electric X	5.00	3.88	1.40	4.3	6.4	32¼	33 -20⅝	A2	Excellent competitive position, large backlog orders and improved facilities suggest high level volume and earnings in 1950. The advanced 40 cents quarterly rate should easily hold.
Weston Electrical Instrument	2.25	2.83	2.00	8.3	10.6	24	26¾-21¾	B1	A leading producer of measuring and control instruments, with sizable military orders. Earnings recovering from 1949 depressed level. The 50 cents quarterly dividend payments should continue.
York Corp.	1.35 h	3.00	.75	6.4	8.7	11¾	12⅜- 8	C+2	Company specializes in refrigeration and air conditioning units. Dividends at recently reduced semi-annual rate of 25 cents probably safe.

†—Based on 1949 actual or estimated earnings.
(a)—Actual.
(b)—9 months September 30, 1949.
(c)—Year September 30, 1949.
(d)—Deficit.
(e)—Year October 31, 1949.
(f)—Year July 31, 1949.
(g)—Year June 30, 1949.
(h)—Year September 30, 1949.
(i)—Paid 3% in stock March 31, 1949.
(j)—Plus 25% in stock.

..... LEVELLING OFF IN .....
FARM EQUIPMENTS?

By GEORGE W. MATHIS

Fiscal year 1949, ending October 31 for most units in the farm equipment industry, was a banner year for this group, with volume and earnings in some instances establishing all-time peaks. While a number of factors suggest that the current year will prove somewhat less satisfactory, it should be realized that comparisons with last year will be from an abnormally high base. By ordinary standards, 1950 earnings of the leading equipment manufacturers will likely prove pleasing to stockholders, and the coverage of dividends should be ample to assure stability of current regular rates, with room for possible extras.

In the first quarter of the current fiscal year, and perhaps in the second one as well, comparison of earnings with a year earlier may appear rather dihappointing, but thereafter there are reasons to expect a rapid pickup to establish a favorable average for 1950. For several months past, steel shortages created by last Fall's strike have been an operating handicap that may not be eliminated fully for some weeks ahead. Just when a desirable supply-demand balance in steel will permit entirely smooth operations will also hinge on developments in the coal dispute.

Of more fundamental importance has been the long delayed return of the farm equipment industry to a seasonal basis and a buyers' market, a factor that is certain to defer purchases by the farmers in many sections until the end of winter and until they have ample opportunity to study their needs. The time characteristic of postwar years prior to 1949, when heavy deferred demand for agricultural machinery in relation to output caused a year-around rash of buying by farmers, has definitely passed. Hence the major portion of annual sales of equipment will be concentrated in the spring and summer months.

Although the Department of Agriculture foresees a decline of about 10% in farm income in 1950 for the second successive year, too much weight should not be accorded to this factor in appraising volume potentials of the farm equipment industry, though undeniably the downtrend will exert some influence. While it is true that sales of this group historically are attuned to the level of farm income, that of the preceding year rather than the current period is mainly responsible in establishing demand.

Farm Income Remains High

From this aspect it is interesting to consider that cash farm income of $27.7 billion in 1949 was supplemented by $200 million Government payments making a total of $27.9 billion or a sum far larger than in any previous year before 1947 and more than three times the prewar 1935-39 level. While unpredictable crop conditions in 1950 will to some extent influence purchases of equipment, last year's *net* farm income of around $13.3 billion, after expenses and allowing for home produced food and dwelling rental values, will leave substantial funds wherewith to acquire labor-saving equipment in the current year.

It is also interesting to note that, with few exceptions, sales of the leading manufacturers of farm machinery rose last year despite a decline of 10% in farm income, thus running counter to the traditional pattern. While to some extent, this variation was due to the increasing abiilty of the dominant concerns to capture a larger share of the market from more than 1,000 smaller competitors, proper

allowance must be made for increasing recognition by farmers of profit potentials created by the use of modern mechanized equipment. Thus the percentage of spendable farm income allotted to this purpose rose to a peak of about 9.5% last year compared with 5% in prewar experience. While considerable satisfaction of pressing needs may reduce the ratio in the current year, it seems clear that the farmers have learned the value of spending a larger portion of income than formerly on new equipment.

The foregoing favorable factor, combined with a steadily increasing replacement demand for both new equipment and parts, lends no little encouragement to the outlook for the strongly entrenched concerns in this industry. The heavy wear and tear on agricultural machinery causes rather rapid deterioration and with a much greater number in use, the demand for parts is constantly rising. This is important, as sales of parts not only are more stable than original equipment but margins on them are also wider because of non-competitive factors. Service parts sales by International Harvester Company in 1949, for example, amounted to more than $155 million or about 16.5% of total volume.

Among adverse factors likely to color the 1950 picture of the farm equipment industry are several that deserve consideration. One certainty is that export sales will shrink due to dollar scarcities and the impact of currency devaluations. Prices for American products abroad have risen commensurately with reductions in foreign values, creating intensified sales resistance.

Here at home, the price outlook for farm equipment is also somewhat unclear. Sale prices in postwar have not advanced nearly as fast as on most durables, a gain of about 50% comparing with nearer 75% for the majority of hard goods. To a considerable extent, these liberal policies on the price front have facilitated the boom in sales of agricultural equipment in the last few years, but pressure for price reductions may rise as competition waxes keener.

Higher Costs Press Against Margins

Looking into 1950, manufacturers in this group are faced with higher prices for steel and other materials as well as for wages and pension plans, transportation and other items. The problem is whether satisfactory margins can be maintained in a period of even moderately lower sales, unless prices are lifted to offset rising costs. Should such a course seem necessary, some of the leading managements express apprehension lest the move would adversely affect volume potentials.

Under the circumstances it seems pretty clear that 1950 earnings of the industry in general will decline from last year's high levels, although on no scale that would threaten the stability of dividends of the stronger firms. For the most part, dividend policies have been quite conservative, liberal reserves have been established against inventory losses or other contingencies, working capital is of ample proportions and expansion and modernization programs have been virtually completed. This helps to create confidence as to dividends at last year's level.

One factor that began to come to the fore last year was an increasing (*Please turn to page* 578)

Position of Leading Farm Equipment Stocks

	Net Per Share 1949	Net Per Share 1948	Div. 1949	Div. Yield %	Price-Earnings Ratio†	Recent Price	Range 1949-50	Investment Rating	COMMENTS
Allis Chalmers X	$6.00 e	$5.67	$2.00	6.0%	5.5	33⅜	34⅜-25⅛	B3	Volume and earnings may slightly recede but dual output of farm equipment and electrical machinery a stabilizing factor. 1950 dividends should at least match 1949.
Avery (B. F.) & Sons	2.50 b	3.04	.75	10.4	3.0	7⅜	11½- 7⅛	C3	Manufacturing disadvantages likely to depress 1950 earnings in view of probably lower sales. No common dividends paid since last October.
Case, J. I. X	19.86 a	11.39	2.00 c	4.3	2.3	45¾	48⅜-30	B3	Strong trade position and modernized facilities should hold volume and earnings at satisfactory levels, though some recession probable. Ample coverage of current dividend rates indicated.
Deere W	12.42 a	7.16	5.00	11.6	3.4	43⅛	45 -30⅛	B3	Outlook for fairly stable sales above-average favorable. Improved plant efficiency should sppport earnings at moderately lower level. Dividends in fiscal 1950 should exceed last year.
Gleaner Harvester	6.36 d	6.32	3.25	15.1	3.4	21½	28¼-18½	B3	Relatively small producer of harvesters and combines. Increased competition may reduce sales from peak levels, but 50 cents quarterly dividend appears secure.
International Harvester W	4.36 a	3.92	1.70	6.0	6.3	27⅞	29⅜-22¾	B3	Output from expanded facilities may help to stabilize sales, though some decline expected. Improved cost controls a favorable factor. No change in quarterly dividend rate anticipated.
Minneapolis-Moline	7.20 a	7.17	.90	6.4	1.9	14	15¾-10⅛	C3	Increased competition and reduced demand may adversely affect earnings, but conservative 30 cents quarterly dividends should be continued in near term.
Myers (F. E.) & Bros.	4.68 a	7.88	3.00	6.6	9.7	45½	51 -41	B3	Leading producer of pumps and sprayers. Earnings likely to recede but continuous dividend record since 1928 creates confidence in stability at 75 cents quarterly rate.
Oliver	7.19 a	9.38	3.00	11.5	3.6	25⅞	31⅝-20	C+3	Aggressive medium sized equipment manufacturer with good trade position. Moderate recession in earnings indicated but 50 cents quarterly dividend safe and extras possible.

†—Based on 1949 earnings.
(a)—Year ended October 31, 1949.
(b)—Year ended June 30, 1949.
(c)—In addition, a year-end dividend of $2.80 was payable on January 1, 1950.
(d)—Year ended September 30, 1949.
(e)—Estimated.

A Study of The TOBACCOS

By FRANK R. WALTERS

—WHO LEADS IN THE COMPETITIVE RACE?

The tobacco industry experienced an exceptionally good year in 1949, with rather clear indications of continued favorable results in 1950. Earnings of all five of the leading concerns advanced last year and there is nothing in sight to suggest any recession of significance. Hence the outlook for this stable industry is encouraging.

Domestic consumption of cigarettes in 1949 reached a new peak of around 349 billion units and while estimated exports of 33 billion units were somewhat lower than in the previous year, with an estimated decline of 14%, total consumption of 382 billion was only slightly below the 1948 level of 387 billion units.

According to the Department of Agriculture, the well sustained rise in adult population and the indicated intention of ECA to foster exports of all tobaccos on a scale comparable to 1949, should result in stabilizing output of tobacco products in the current year. A slight damper on this optimism, however, is furnished by the action of the Philippine Government in restricting imports of cigarettes in order to conserve dollars. This factor assumes some significance, considering that in 1948, almost half of total American cigarettes shipped overseas went to the Philippine Islands. On the whole, though, and on the well predicated assumption that domestic consumption will continue its upward trend, over-all sales of the industry are not likely to vary much from last year's high level.

Prices of cigarettes, at least, face a similar prospect of undergoing few if any changes in the current year. A price lift in the middle of 1948 has enabled leading firms to maintain adequate margins on their expanding sales, thus probably precluding any further advance. On the other hand, no price cuts seem probable this year despite intensified competition. Since the wage factor in the industry is among the lowest in the economy, and the leading concerns in recent years have installed the most modern high-speed machinery to achieve operating economies, costs of raw tobacco constitute the main problem in the endeavor to retain satisfactory margins.

In the past two years, the leading tobacco concerns have accumulated very large stocks of leaf tobacco for ageing and at the start of 1950, most of them had enough properly aged stocks to meet their requirements throughout the year, and at easily determined costs. In 1949, prices of flue-cured tobacco averaged slightly lower, while later in the year prices of Burley also softened somewhat. Because of Government crop controls in 1950, the tobacco acreage will be curtailed, a factor that may bring slightly higher prices in the last half year.

Sales Expenses Heavy

About the only remaining factor that could affect profit margins this year is the element of promotional expenses. With the battle of cigarette brands continuing at fever pitch and evidence last year that the "big three" were slightly losing ground to some of their smaller competitors, it is probable that sales and advertising expenses of all concerns will expand. American Tobacco Company, for example, is laying plans to sponsor two major television programs, one of the most costly forms of promotion.

It remains to be seen, of course, just how expenses of this kind will pay off.

In the competitive cross currents last year, the "big three," R. J. Reynolds, American Tobacco and Liggett & Myers, captured about 77.6% of the total cigarette market compared with 80.6% in 1948. In the race, "Camels" (R. J. Reynolds) probably once again took the lead over "Lucky Strikes" (American Tobacco) and at a slight expense to "Chesterfields" (Liggett & Myers). This long continued struggle for leading place, however, is not too important; what really counts is the progress of leading concerns in winning a larger number of new smokers and to expand sales of less popular products.

Demand for "Long" Cigarettes

Considerable interest has developed in the increasing popularity of 85 millimeter or "long" cigarettes. In this division, R. J. Reynold's newly introduced "Cavalier" is said to have made immediate strides, sales of P. Lorillard's "Embassy" rose 150% last year, while Liggett & Myers' large sized "Fatima" cigarettes advanced 114% and American Tobacco's "Herbert Tareytons" 22.2%—all compared with the previous year.

Volume gains were also achieved by a number of standard size cigarettes, such as P. Lorillard's "Old Golds," Philip Morris & Co.'s "Philip Morris," and Brown & Williamson's "Raleighs" and "Kools." It will be noted that most of the leading tobacco concerns have now included so-called King-size cigarettes among their products.

Consumption of cigars last year declined an estimated 5% from the 1948 level to about 5.6 billion units. To offset a further prospective smaller demand in the current year, many cigar manufacturers have either reduced prices or introduced new brands with a lower price tag to attract more trade in the lower income brackets. Smokers seeking a five cents cigar nowadays have to be satisfied with a very small size unit, but demand for these has proven so heavy that concerns like Bayuk, General Cigars and Webster Tobacco are hard pressed in filling orders. The greater portion of current sales however is accounted for by cigars priced around 10 cents that in the past used to sell for a nickel. Some of these brands have been shaded to 9 cents and even to two-for-15-cents.

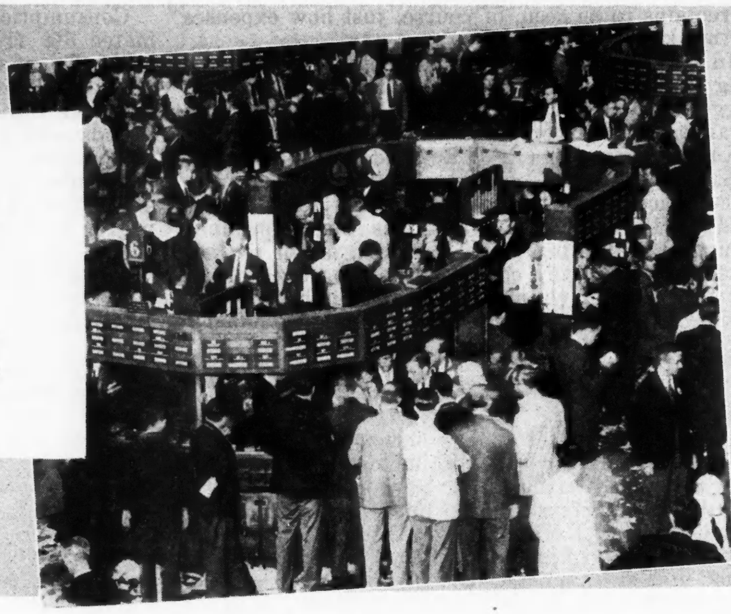
Reduced demand for cigars, combined with rather serious inventory adjustments, sharply reduced earnings of some cigar manufacturers last year, a trend enhanced by price variations. Consolidated Cigar Corporation, the dominant concern as to dollar volume, fared better than its competitors because of good cost controls, reporting net of $8.12 per share in 1949 compared with $8.81 a year earlier.

On the other hand, last year's earnings of Bayuk Cigars declined to around $1 per share from $2.71 in 1948, and General Cigars to an estimated $1.25 per share from $2.44. Looking ahead into 1950, there is a chance that better balanced inventories and improved cost controls, combined with increased price stabilization, may improve the earnings of the leading cigar manufacturers. On the whole, no change in their current dividend rates appears in sight over the near term. *(Please turn to page 580)*

Position of Leading Tobacco Companies

	Net Per Share* Est. 1949	Net Per Share* 1948	Net Current Assets —($ million)—	Inventories —($ million)—	Div. 1949	Div. Yield %	Price-Earnings Ratio†	Recent Price	Investment Rating	COMMENTS
American Snuff W	$3.40	$3.77	$13.5	$10.7	$2.75	6.7%	12.0	41	B2	Confidence warranted in stable 1950 earnings. The increased 60 cents quarterly rate appears secure, with probable year-end extra.
American Tobacco W	7.80	7.58	441.4	514.9	4.00	5.3	9.6	75⅜	A2	Margins widened by favorable operating conditions. Earnings on high level sales should support dividends around $4 annual rate.
Bayuk Cigars	1.00	2.71	18.5	19.0	.97	7.6	12.7	12¾	C+1	Some uptrend in volume and earnings seems likely from lower totals last year, but stability of 20 cents quarterly dividends not too certain.
Consolidated Cigar	8.12 a	8.81	18.8	18.9	2.00	4.9	5.0	40½	C+2	Favorable outlook suggests continued satisfactory earnings and maintenance of at least 50 cents quarterly dividends.
General Cigar	1.44 a	2.44	30.3	34.9	1.00	5.6	14.1	17¾	C+2	Improved cost controls and fewer price uncertainties should tend to improve earnings this year. No change in 25 cents quarterly dividend likely.
Helme, G. W.	2.30 a	2.47	14.4	7.3	2.20	6.8	12.8	32	A2	Third largest snuff producer. Strong finances and steady earnings should continue dividends at an annual rate of about $2.20 per share.
Liggett & Myers W	7.18 a	7.10	338.2	357.4	5.00	5.7	12.0	86¾	A2	Stable demand and increased operating advantages lend encouragement to outlook. Dividends appear well covered at $5 annual rate.
Lorillard	2.50	2.21	69.5	72.5	1.75	6.5	10.7	26⅞	B2	1950 prospects bright due to well established trade and improved operating factors. An annual dividend rate around $1.75 seems assured.
Philip Morris	7.32 b	5.84 c	99.3	132.4	2.87	5.3	7.3	53⅞	B2	Aggressive promotional activities bearing fruit, as reflected by larger sales and earnings. 1950 dividends may exceed last year's $2.87½ a share.
Reynolds Tobacco "B" W	3.75 a	3.26	398.2	454.0	2.00	5.1	10.5	39¼	A2	Company clearly holding its competitive position. Earnings gain last year may hold in 1950, suggesting ample coverage of dividends at $2 annual rate.
U. S. Tobacco	1.55	1.66	19.3	17.3	1.35	6.3	13.7	21⅜	B2	Dominant snuff manufacturer assured of stable earnings. Strong finances warrant liberal dividend payments close to $1.35 annually.

*—Adjusted for capital changes.
†—Based on estimated or actual 1949 earnings.
(a)—Actual.
(b)—Estimated net per share for year ending March 31, 1950.
(c)—Year ended March 31, 1949.



FOR PROFIT AND INCOME

March

On the record of the past, the warning to "beware the ides of March" does not apply too well to the stock market. In the 52-year history of the Dow-Jones industrial average, there has been a sizable net advance for this month as a whole in 17 years, a sizable net decline in 15 years, an insignificant net change in 20 years. There has been no seasonal tendency. Theoretically, selling stocks to raise cash for March 15 income-tax payments should be a depressant in late February or early March. You would not recognize this influence by a look at the market charts, for other influences have outweighed this factor. Income taxes have been particularly onerous during the last decade or so. Over the 11 years 1939-1949, March saw sizable market advances in 3 years, declines in 3, insignificant change in 5. The biggest March advance on record was a gain of roughly 10% in 1915. In more recent years there were gains of about 5% and 6%, respectively in 1946 and 1948. The biggest March decline was 11.5% in the panic year 1907. There were March declines in the vicinity of 9% to 10% in 1926, 1931, 1932 and 1938. What can be said in the present situation — the past record having nothing to do with it—is that the longer a reaction is deferred, the larger it is likely to be. After about eight months of advance, amounting to roughly 27% in the Dow industrials, something more than a minor correction is overdue.

Groups

At recent highs the Dow industrial average was roughly 6% above its 1948 recovery high, while The Magazine of Wall Street's index of 325 stocks still had over 7% more rise to negotiate before even equalling its 1948 high. Thus, what "the market is doing" depends on your perspective. In fact, from a normally selfish point of view, it depends on what stocks you hold. The following stock groups are considered to be greatly under their 1948 highs: agricultural implements, aircraft, air lines, automobile accessories, soft drinks, coal mining, non-ferrous metals, steel, amusements (movies) and textiles. Here are the groups which at recent highs were materially above their 1948 highs: automobiles, beer brewers, chemiicals, drugs and toilet articles, finance companies, food stores, tires and rubber, tobacco, and utilities. The last-named includes holding and operating electric utilities and natural gas; but excludes telephone and telegraph stocks, which are under their 1948 highs. It may be interesting to note that so far the highly popular video group has merely approximated its 1948 high, although Admiral Corp., the biggest surprise in the industry, has risen to more than double its 1948 high.

Guess

Speaking of Admiral, this stock "is in the clear." That is, it has risen well above all previous highs. There are no supply levels which can be indicated by any chart. The possible ultimate high for any stock may always be a

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1949	1948
Telautograph Corp.	Dec. 31 Quarter	$ .27	$ .15
McKesson & Robbins	Dec. 31 Quarter	1.65	1.55
Virginia Iron, Coal & Coke	Dec. 31 Quarter	.82	.23
Liquid Carbonic Corp.	Dec. 31 Quarter	.36	.02
U. S. Steel	Year Dec. 31	5.39	4.00
Deere & Co.	Year Oct. 31	12.42	8.49
Philip Morris & Co.	9 mos. Dec. 31	5.49	4.43
Pennsylvania Salt Mfg. Co.	Year Dec. 31	3.30	2.78
Sunbeam Corp.	52 weeks Dec. 31	10.83	8.52
Consolidated Gas of Balt.	Dec. 31 Quarter	1.24	1.04

guess, but it is more so than ever when all past chart reference points have been put behind. Of course, Admiral is not the only stock in this position. A partial list, which occurs to the writer offhand, would include also American Seating, Dow Chemical, Minneapolis-Honeywell Regulator, Abbott Laboratories, Merck, and Minnesota Mining & Manufacturing. No doubt, research would turn up a fair number of others.

Dividends

Broadly speaking, and despite exceptions, Big-Name companies are getting a bigger share of the available business than in 1946-1948, while marginal concerns are finding the competitive going pretty rugged. Among large companies, the number of liberalized dividends so far in 1950 exceeds the number of reductions or omissions by about 3 to 1, a ratio no doubt much higher than that applying to all corporations. Prophetic significance for the economy as a whole should not be read into this. Managements raise dividends when that is justified by the combination of earnings, balance-sheet position, and prospects as far ahead as can be seen. The latter is not too far, since no management has a crystal ball. There were many dividend boosts in late 1929 and early 1930 — when managements were whistling in the dark. Some of the more important companies which have upped payments in one form or another during the last six weeks or so are General Motors, United States Steel, Commercial Credit, United Biscuit, National Biscuit, Johns-Manville, National Tea, Brooklyn Union Gas, Continental Can, Westinghouse Electric, Johnson & Johnson, Illinois Central, Kroger Company, Federated Department Stores, Cleveland Electric Illuminating, National Dairy and Sheaffer Pen. Companies from which there has been unfavorable dividend news, confining the list to those of some size, include American Safety Razor, Southern Railway, United Shoe Machinery, Goodall-Sanford, Weston Electric Instrument, Heyden Chemical and U. S. Rubber.

Tires

Speaing of U. S. Rubber, whose latest quarterly dividend declaration was 75 cents a share against $1 at this time a year ago, the company's 1949 earnings probably were in the neighborhood of $4 a share, against postwar peak of $10.23 in 1946 and net of $2.91 a share in the prewar year 1939. Earnings as thus estimated are further down from the postwar high and closer to the 1939 level than is so of any of the main competitors — which are Goodrich, Goodyear and Firestone. Goodrich probably earned around $13 a share in 1949, against 1946 peak of $17.69 and 1939 net of $3.53. Figuring estimated 1949 earnings as a percentage either of peak 1946 earnings or of the extraordinarily high total earnings for the three banner years 1946-1948, Goodrich has had the best results, followed by Firestone and Goodyear, with U. S. Rubber fourth. The latest actual half-year earnings reported were: Goodrich, $6.02; Firestone, $4.02; Goodyear, $3.24 and U. S. Rubber $2.30. Before the war these companies had been fairly closely bunched in earning power. Firestone was regarded as the least speculative. U. S. was taken as the market leader of the group, with the prestige of duPont management. At 1939 highs, U. S. was the highest-priced of the lot at 52¾; Goodrich the lowest-priced at 24¾, with Firestone next at 25½ and Goodyear second highest in price at 38⅜. Well, times, circumstances and opinions change. On the earnings data cited, and in the bloodless judgment of the market place, Goodrich now has the best management of the lot. At a recent high of 81, the stock is the market leader in the tire field by a mile, followed by 1949-1950 highs of 58 for Firestone, 49¼ for Goodyear and 44⅝ for U. S. Rubber.

Yield

As a general rule, despite the usual exceptions, the market does a pretty good job in "rating" individual stocks, as measured by price-earnings ratios and yields. It is good enough so that when a stock "sticks out" because of a very high yield, said yield should be a warning, rather than an invitation. At the least it implies that the stock in question is quite speculative, with the indicated dividend insecure. For example, Ronson Art Metal Works (leading maker of cigarette lighters) now sells at 18⅞, to yield 13.4% on $2.55 paid in 1949 dividends. For some years prior to 1946, the best dividend was 24 cents a share. Prevailing yields on top-grade, stable-income stocks today run from around 4.5% to 5.5%. On many fair-to-middling stocks they are as high as 6.5% to 9%. It does not pay to be too greedy in the yield that you demand. In the stock market, as elsewhere, you will generally get pretty much what you pay for. The higher the yield, the more doubtful is the continuation of the existing rate of dividend payments.

Steel

Mainly because of strikes, operations in the steel industry averaged only about 53% of capacity for the fourth quarter of 1949, varying all the way from about 11⅜ in October to 94% in December. The 1949 profit reports so far issued by the larger companies indicate some fourth quarter profit, when compared with 9-month statements. The test is not conclusive so far as concerns the break-even point, for prices remained firm; whereas they would soften if output fell to near 50% of capacity due to depression in general business. Even so, the break-even point has been reduced considerably from its postwar

(*Continued on page* 582)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1949	1948
Nash-Kelvinator	Dec. 31 Quarter	$ .97	$1.35
New Jersey Zinc	Dec. 31 Quarter	.34	1.56
Sharp & Dohme	Dec. 31 Quarter	.66	.75
Archer-Daniels-Midland	6 mos. Dec. 31	2.73	3.65
Shamrock Oil & Gas	Year Nov. 30	3.63	4.27
Squibb, E. R., & Sons	6 mos. Dec. 31	1.91	2.01
Jones & Laughlin Steel	Dec. 31 Quarter	.22	4.28
Paraffine Companies	Dec. 31 Quarter	.37	.67
Black & Decker Mfg.	Dec. 31 Quarter	1.35	1.73
National Biscuit Co.	Dec. 31 Quarter	.81	1.14

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Glidden Company

I would appreciate if you would explain the reason for the decline in sales of the Glidden Company in the last fiscal year and cite what progress the company is making in its research program.

N. R., Kennebunkport, Maine

Net sales of the Glidden Company for the fiscal year ended October 31, 1949, totaled $160,143,276, approximately 20% less than the $202,318,794 reported in the preceding fiscal year.

Net profit was also substantially lower, declining to $6,191,923 or $3.23 per common share, from $9,276,819 or $5.04 a share a year earlier.

The drop in dollar sales was attributed to declines in the prices of raw materials and finished products, but unit sales were within 5% of the previous year.

The company has made great progress in research and development in various divisions. The paint and varnish division succeeded in producing a new washable wall paint, the food division has perfected a high quality margarine and the soy-bean division has participated actively in the development of the important cortical hormones.

Work along that line is proceeding rapidly and the company hopes to be able to produce cortisone and its allied compounds in quantity before the end of 1950. Laboratory work on hormones established a new record in this direction, and in view of the great need for cortisone for the more than seven million sufferers from arthritis, it is evident that if company's plans are realized, this will result in an important development in their fine chemical department.

Throughout the year, special emphasis has been placed on the reduction of costs and the improvement of materials handling. This is said to have resulted in greater efficiency and the saving of labor costs.

The company at this time has no plans for any large expansion, and the construction program that has been underway for the last four years is nearly completed. Major units added last year are a new soy bean processing plant and storage silos at Indianapolis, a margarine manufacturing plant at Macon, Georgia, a new soy bean extraction plant at Chicago, and a margarine distribution warehouse at Cambridge, Massachusetts.

Inventories were substantially reduced in 1949. They were carried at $29,124,601 on October 31, 1949, compared with $32,085,504 a year earlier.

Balance sheet as of October 31, 1949 showed current assets of $47,735,684 and current liabilities of $17,439,272.

Dividends in 1949 totaled $1.60 per share against $1.90 paid in 1948.

Bendix Aviation Corporation

Please report net income of Bendix Aviation for the past year, also backlog of unfilled orders and expansion program of the company.

W. C., Denver, Colorado

Sales of Bendix Aviation Corporation for the fiscal year ended September 30, 1949 totaled $182,674,462, an increase of 12.4% over $162,495,655 in fiscal 1948.

Net income amounted to $11,086,781 or $5.24 a share, compared with $11,280,742 or $5.33 a share, for 1948. Earnings represented 6.1% of sales, which compares with an average of 7.3% for the pre-war years 1935-39.

The reduction in earnings from 1948, in spite of higher sales, reflects the effects of an eleven-week strike at the Bendix Products Division in South Bend, Indiana. Most of the sales increase was accounted for by sales of aviation products and paid engineering sales.

Sales of automotive products in 1949 equaled 31% of total volume compared with 38% in 1948, while aircraft equipment amounted to 47% of the total compared with 42% the preceding year.

The backlog of unfilled orders, including engineering projects for others, was $165,000,000 on September 30, 1949, an increase of $3 million over the year-ago figure.

The company expended approximately $21 million in fiscal 1949 for engineering, including numerous Government-paid projects in many fields, as well as corporation-financed programs.

The company also spent $5,058,000 for additions to manufacturing facilities, bringing the four-year postwar plant expansion and improvement program to $24,038,000. These expenditures have been financed by depreciation funds of $10,530,000, $4,241,000 from earnings retained in the business during the period, and $9,267,000 from retained earnings in prior years.

Net working capital on September 30, 1949, was $73,328,670, compared with $69,972,091 the

year earlier. Equity of stockholders equaled $42.43 a share, compared with $39.70 a year ago.

Dividends in 1949 totaled $3.50 a share against $3.00 paid in 1948.

Emerson Radio & Phonograph Corporation

Please furnish information as to recent earnings, dividends and prospects over coming months of Emerson Radio & Phonograph Corporation.
S. L., Oxnard, California

Emerson Radio & Phonograph Corporation and its wholly-owned subsidiaries for the fiscal year ended October 31, 1949, showed the highest net earnings after taxes in the history of the organization, with an income of $3,035,652 or $3.79 per share, as compared with net earnings of $2,401,769 or $3.00 per share for the fiscal year ended October 31, 1948, the previous all-time high.

Consolidated net sales for the 1949 fiscal year amounted to $40,-543,920 compared with $30,926,-842 for the preceding fiscal year.

During the recently completed fiscal year, the company paid cash dividends totaling $1,040,000, equivalent to $1.30 per share on the 800,000 shares outstanding.

On December 23, 1949, a stock distribution was made to stockholders of record on December 5, 1949 at the rate of one additional share of capital stock for each ten shares held, thereby increasing the number of outstanding shares from 800,000 to 879,805.

It was necessary last year to increase production in order to meet the increased demand for television receivers as well as the continued demand for radio receivers, phono-radios and phonographs.

The momentum of sales gain during 1949 is expected to be carried into 1950 and with increased production facilities, sales volume during the current year should show a good increase.

Cornell-Dubilier Electric Corporation

Please advise if Cornell-Dubilier Electric Corporation has any products that are used in the television field and also company's recent sales, earnings and dividends. *T. H., New Haven, Conn.*

Cornell-Dubilier Electric Corporation and subsidiaries for the fiscal year ending September 30, 1949 reported consolidated net sales of $13,678,971, an increase of 20% over net sales of $11,-379,543 for the fiscal year ended September 30, 1948.

Consolidated net income, after provision for all Federal taxes and preferred dividend requirements, amounted to $450,785 or 86 cents per common share. For the preceding fiscal year, net income after taxes and preferred dividends amounted to $446,731 or 84 cents per share of common stock.

Operations of the Radiart Corporation, Cleveland, were highly satisfactory since its purchase by Cornell-Dubilier at the close of 1948. The Radiart Division has finished developing and shortly will place on the market a rotator for television antennae which should add to the sales volume in the current fiscal year.

Electronic Laboratories, Inc., a subsidiary, has become a supplier for two leading manufacturers of automobile radios since it has recently developed a new vibrator for use in that field.

The company's laboratories at New Bedford, have developed new ceramic capacitors for television receivers. Of the total of 100 capacitors required for each receiver, approximately 40 are ceramic. The latest development enables the company to manufacture all the types of capacitors now needed.

Net sales of Cornell-Dubilier Electric Corporation for the first quarter of the current fiscal year ended December 31, 1949, totaled $4,901,000 compared with $3,-091,644 in the comparable preceding period, an increase of more than 58%.

Sales for the six months of the current fiscal year are expected to show an increase and this is due largely to activity in the manufacture of component parts for television sets.

Dividends of 80 cents per share have been paid in each of the past two years.

Lukens Steel Company

As a subscriber to your valued magazine, I would appreciate information as to Lukens Steel Company's sales volume, net income, dividends and net worth.
S. M., Kansas City, Kansas

Sales of Lukens Steel Company, including those of its By-Products Steel Company and Lukenweld division, Coatesville, Pennsylvania, in the 1949 fiscal year ending October 29 reached a total of $55,825,306, a decline of 9.2% from fiscal 1948 sales of $61,480,919.

Lukens' net income after provision for payment of Federal and State income taxes of $1,-811,330, amounted to $1,930,045, equivalent to $6.07 a share for the 317,976 shares of common stock. This is in contrast to a net income, as revised, for the 1948 fiscal year of $2,072,666, equal to $6.52 a share.

Property, plant and equipment show a gross value of $22,498,877 at the close of the 1949 fiscal year, an increase of $1,177,696 over the $21,321,105 total at the end of the 1948 fiscal year. The net worth of the company has risen to $19,598,877.

Dividends of $1.50 per share have been paid in each of the past two years.

General Portland Cement Company

I understand that demand for cement is expected to be good in the current year and therefore I am interested in knowing the results of General Portland Cement Company operations in the past year or two and what dividends the company is paying. *P. E., Goshen, N. Y.*

Net earnings of General Portland Cement Company, listed on the New York Stock Exchange, for the twelve months ended December 31, 1949, totaled $5,240,-000 after provision for Federal income taxes, compared with net earnings of $4,273,000 for the corresponding twelve months of 1948.

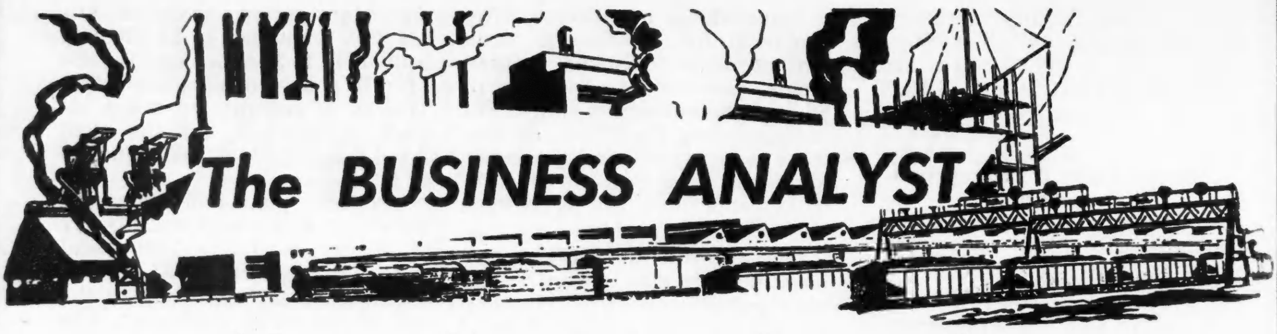
This was equal to $5.05 per share on 1,037,387 shares of common stock outstanding, compared with $4.12 per share, based on the same number of shares, for 1948.

Sales for 1949 increased to $21,285,300 from $19,491,000 in 1948. Costs and expenses amounted to $12,882,700 as against $12,-470,300 reported the year before, and Federal income taxes totaled $3,212,000 compared with $2,-650,000 in 1948.

Net income for the three months ended December 31, 1949, totaled $1,319,300 or $1.27 per share, compared with $1,221,800 or $1.18 per share for the corresponding period of 1948. Net sales for the same period totaled $5,417,700, compared with $5,-599,400 in the last three months of the preceding year.

Manufacturing plants of the General Portland Cement Company are located at Tampa, Florida; Chattanooga, Tennessee; Fort Worth, Houston and Dallas, Texas.

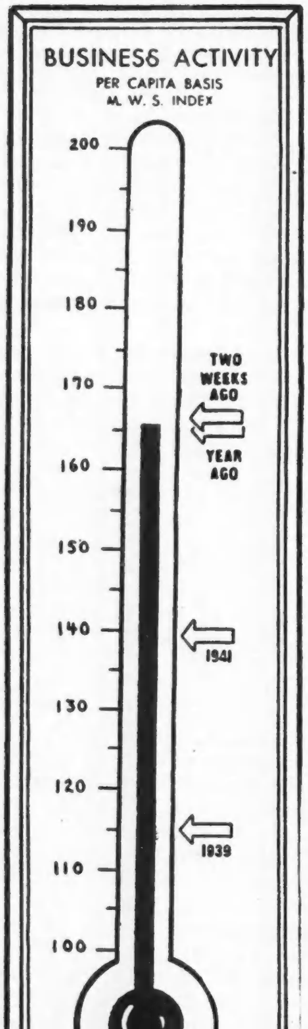
Dividends including extras totaled $2.50 a share in 1949, compared with $1.50 in 1948.



What's Ahead for Business?

By E. K. A.

Industrial output increased in January despite coal and auto strikes. The Federal Reserve Board estimated its production index for that month rose to 182% of the 1935-39 average from 179% (revised) in December. This is about in line with expectations. A further gain might reasonably have been expected in February but this now appears dubious in view of the increasingly crippling effect of the coal stoppage. Presidential intervention, as this is written, has as yet brought no peace in the coal fields though a climax appears near. The thought is that current moves will somehow produce a formula that will return the miners to the pits before industry has to shut down completely for lack of fuel. But one never knows just how close to the danger point matters will be allowed to drift.



Even though the worst may be avoided, the strike will leave certain imprints. Industrial curtailments where they already occurred, will affect employment and earnings; the rails are already heavy sufferers in this respect. A real steel crisis may not develop before another ten days and by then, the strike is most likely to be settled, or at least work will be resumed pending further negotiations. Meanwhile protective ordering of steel by consuming industries is boosting demand so that it is again running far ahead of supply. Pressure is being felt all along the line, and it is difficult to say how much ordering reflects improved business sentiment and how much is merely precautionary. But as the latter type of demand mounts, repercussions are bound to ensue in the second quarter after conditions have returned to normal.

Chances are that any curtailment of industrial operations induced by the coal crisis, if it lasts long enough, will create a new "catching up" period in the second quarter, just as first quarter business in part benefited from the effects of the steel strike last October. This may tend to postpone any downturn until the third quarter rather than during the second quarter as we would normally have expected. If the crisis is shortly resolved, however, pressure for steel may abate markedly in view of the inventory buying currently going on. Either way, the second quarter still remains a key period.

Meanwhile the momentum of the bellwether motor and construction industries remains unchecked. Auto and truck production has increased despite the Chrysler strike, and the auto industry's steel supplies are adequate for present needs for some weeks. No early weakness here is indicated from a supply viewpoint unless it should originate among parts manufacturers.

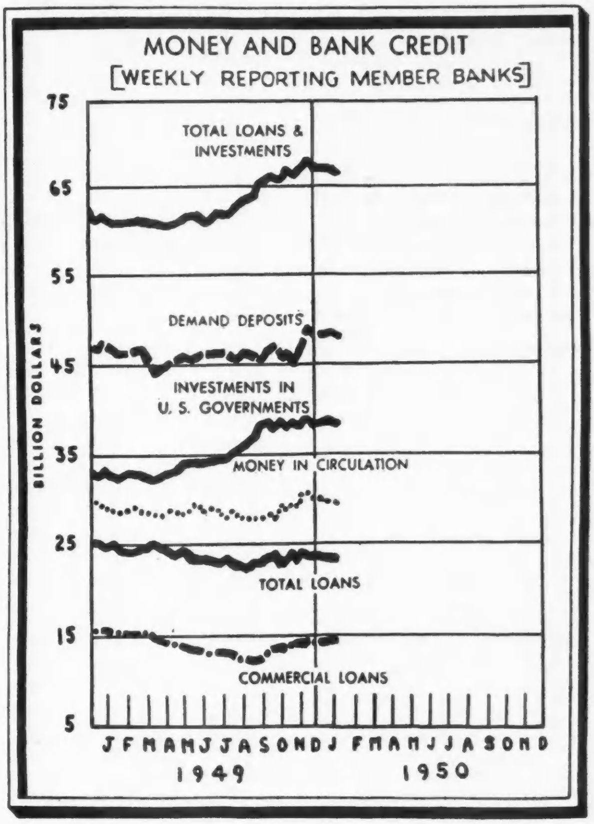
The building industry's strong 1949 finish has carried over smartly into the new year in contrast to a year ago when housing starts lagged conspicuously. If the present pace continues, correspondingly enhanced by seasonal factors with the approach of Spring, the question arises whether it can last through Summer without creating a temporary glut in the residential housing field.

Strangely, despite intensified labor troubles, there is some belief that strikes this year will not take the heavy toll they did in 1949 when 53 million man-days were lost. Reasons for this optimism are (1) that a number of labor contracts in basic industries run through 1950, and (2) that labor leaders are not likely to encourage widespread strikes in a congressional election year. There may be something to that, but the experience of Chrysler does not exactly bear out the validity of point two.

Constructive Inventory Position

Leaving aside strikes and their impacts, industry's inventory position should have a constructive effect on the business situation this year. With inventories more or less down to a current basis, inventory buying should prove a stabilizing factor. This is in sharp contrast to last year when new buying was virtually absent as manufacturers drew on their excessive stocks. To-date, also, order placement by retailers has been better than anticipated, and this goes for nearly all markets. It reflects the fact that consumer buying has held up fairly well, and is expected to do so at least through Easter, probably longer. The trend needs watching. Any decline in the rate of consumption would again lead to accumulation of heavy inventories, meaning subsequent curtailment of new orders and in turn a reversal of industrial production.

HIGHLIGHTS



MONEY AND CREDIT—Common stock averages managed to chalk up a farther slight gain during the fortnight ended February 11, despite a small reaction sparked by the coal mining crisis during the second week. Half of our 46 group indexes, and all three of the major indexes, made new highs for various periods, as tabulated on the second page following. Radio and television shares again held the spotlight, with an average advance of 20%, thereby lifting our index by the spectacular amount of 47% since the start of the year. It will be recalled that this group was the worst performer last year. Dramatic reversals of this character are not uncommon. New York bank stocks advanced to the best average level since August 24, 1946; while high grade corporate preferred stocks and foreign government dollar bonds reached new highs since the latter part of 1947. On the other hand, high grade rail bonds sagged to a new low for the year, while the Victory 2½s eased off to new lows since the latter part of last year. Commercial loans by weekly reporting member banks expanded by the nominal amount of $14 million during January, contrasted with contraction of $259 million in January of last year; but they are still $1.4 billion smaller than a year ago. During the fortnight ended February 8, collection of income taxes contributed to a rise of $735 million in the Treasury's cash balance after a reduction of $200 million in the Federal gross debt. The balance is now a comfortable $1,530 million ahead of what is considered a safe minimum of $3.5 billion. Income tax payments were also mainly responsible for a drop of $478 million in demand deposits with weekly reporting member banks, but these are still $822 million above a year ago. Though the estimated budget deficit of $5.1 billion for fiscal 1951 would be only $0.4 billion less than this year, the estimated cash deficit of $2.7 billion would be $2.2 billion less. This is because this year's insurance dividend payments of $2.8 billion to veterans will not be repeated next year. The budget deficit in fiscal 1951 will be the third in succession. In only two years since 1930 has there been a surplus.

TRADE—Department store sales in the fortnight ended February 4 were a trifle above the corresponding period of last year, compared with a cumulative decline of 6% for the year to date. In December, sales by all retail outlets throughout the nation were 2% below the corresponding month of 1948; sales by wholesalers were off 12%; while manufacturers' shipments declined 13%. For all of 1949, sales by wholesalers were 8% below the total for 1948. The International Monetary Fund estimates that currency devaluations abroad last September raised the average cost of U. S. goods to buyers in foreign countries by about 16%, while lowering the cost of foreign wares to U. S. importers by 13%.

INDUSTRY—Business activity in the week ended February 4 was 2.2% above last year, compared with a gain of only ½ of 1% for the month of January. Dividend payments in December were the largest for any month in history and 14% more liberal than a year earlier, compared with an average increase of only 7% for all of 1949. Manufacturers' shipments last year, though the second largest on record, were 6% below the 1948 peak. Though unemployment in early January was 1,816,000 larger than a year earlier, the number actually at work in nonagricultural pursuits rose by 319,000. Part of the reason for this sharp rise in unemployment may be found in the circumstance that the urge to work has been rising at a faster rate than the growth in population of working age. Another contributing cause is rising efficiency of production, especially in farming. Agricultural employment last month was 565,000, or 8% smaller than a year ago.

COMMODITIES—Proposals in Congress favoring flexible support legislation led to a slight decline in commodity futures during the fortnight ended February 11, though cotton and hides extended their gains. Spot indexes were also off a little with weakness in wheat, corn, sugar, wool and hides, and despite further strength in cotton and rubber. Tin was again reduced fractionally but prices for other metals were unchanged. Sales of imported Canadian potatoes at less than domestic prices have stirred up a hornet's nest of debate over what to do with Government surpluses.

Larger than normal seasonal declines in refinery runs, steel operations and bank debits during the week ended February 4 somewhat more than offset a sharp rise in electric power output to a new all-time high. In consequence, there was a slight dip in the nation's overall physical volume of **Business Activity,** but, as the decline a year ago at this time was much sharper, the margin of increase over last year widened to 2.2%.

* * *

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Jan.	1.14	1.24	1.17	1.55
Cumulative from mid-1940	Jan.	392.0	390.9	377.1	13.8
FEDERAL GROSS DEBT—$b	Feb. 8	256.6	256.8	252.5	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Feb. 1	47.7	48.5	46.9	26.1
Currency in Circulation	Feb. 8	27.0	26.9	27.6	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Feb. 1	8.93	8.94	9.01	4.26
93 Other Centers—$b	Feb. 1	12.75	12.72	13.36	7.60
PERSONAL INCOMES—$b (cd2)	Dec.	213.7	211.6	219.3	102
Salaries and Wages	Dec.	138.5	136.9	141.4	66
Proprietors' Incomes	Dec.	43.4	44.9	50.3	23
Interest and Dividends	Dec.	19.1	17.4	16.9	10
Transfer Payments	Dec.	12.7	12.4	10.7	.3
(INCOME FROM AGRICULTURE)	Dec.	20.1	20.3	25.2	10
POPULATION—m (e) (cb)	Jan.	150.6	150.4	147.9	133.8
Non-Institutional, Age 14 & Over	Jan.	110.2	110.1	109.1	101.8
Labor Force	Jan.	62.8	63.5	61.5	57.5
Military	Jan.	1.41	1.43	1.47	1.89
Civilian	Jan.	61.4	62.0	60.0	55.6
Unemployed	Jan.	4.5	3.5	2.7	3.8
Employed	Jan.	56.9	58.5	57.4	51.8
In Agriculture	Jan.	5.6	6.8	6.0	8.0
Non-Farm	Jan.	50.7	51.8	50.6	43.8
At Work	Jan.	49.1	50.4	48.7	43.2
Weekly Hours	Jan.	40.9	41.3	41.5	42.0
Man-Hours Weekly—b	Jan.	2.01	2.08	2.02	1.82
EMPLOYEES, Non-Farm—m (lb)	Dec.	43.6	42.7	45.3	37.8
Government	Dec.	6.1	5.9	6.0	4.8
Factory	Dec.	11.5	11.3	12.6	11.7
Weekly Hours	Dec.	39.8	39.2	40.1	40.4
Hourly Wage (cents)	Dec.	141.2	139.1	139.7	77.3
Weekly Wage ($)	Dec.	56.20	54.53	56.15	31.23
PRICES—Wholesale (lb2)	Feb. 7	151.6	151.2	157.0	92.5
Retail (cdlb)	Nov.	185.6	185.6	192.5	116.2
COST OF LIVING (lb3)	Dec.	167.5	168.6	171.4	100.2
Food	Dec.	197.3	200.8	207.5	113.1
Clothing	Dec.	185.8	186.3	200.4	113.8
Rent	Dec.	122.2	120.0	119.5	107.8
RETAIL TRADE—$b					
Retail Store Sales (cd)	Dec.	12.81	10.86	13.14	4.72
Durable Goods	Dec.	3.38	3.35	3.50	1.07
Non-Durable Goods	Dec.	9.43	7.51	9.64	3.65
Dep't Store Sales (mrb)	Dec.	1.37	0.92	1.40	0.42
Retail Sales Credit, End Mo. (rb2)	Dec.	10.17	9.33	8.38	5.10
MANUFACTURERS'					
New Orders —$b(cd) Total	Nov.	18.1	18.6	18.9	14.6
Durable Goods	Nov.	7.3	7.7	7.7	7.1
Non-Durable Goods	Nov.	10.8	10.9	11.2	7.5
Shipments—$b(cd)—Total	Dec.	17.0	17.6	19.5	8.3
Durable Goods	Dec.	6.9	7.0	8.6	4.1
Non-Durable Goods	Dec.	10.1	10.6	10.9	4.2
BUSINESS INVENTORIES, End Mo.					
Total—$b (cd)	Dec.	53.4	55.1	58.2	28.6
Manufacturers'	Dec.	31.0	30.6	30.2	16.4
Wholesalers'	Dec.	9.2	9.2	9.6	4.1
Retailers'	Dec.	13.2	15.3	14.4	8.1
Dept. Store Stocks (mrb)	Dec.	2.0	2.4	2.0	1.4
BUSINESS ACTIVITY—1—pc	Feb. 4	166.4	166.7	166.0	141.8
(M. W. S.)—I—np	Feb. 4	193.7	193.9	189.6	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 573)

For the month of January, this publication's index of the nation's business volume rose to 192.6% of the 1935-9 average—3 points above December, and 0.5% ahead of a year ago. On a **Per Capita Basis,** the index registered in January 165.7% of the 1935-9 average, compared with 163.4 for December and 167.8 in January of 1948. Thus the business volume last month fell 1.1% short of keeping pace with the annual growth in population.

* * *

In the statistical column to the left, we present a condensed summary of the Census Bureau's estimates of **Employment** conditions during the week ended January 14. It may be of interest to note that man-hours worked in non-agricultural pursuits during the sampling week was about 1/2 of 1% below the corresponding week last year, a finding that agrees closely with the showing of our business index.

* * *

As to the **Coal Mining** situation, the unpleasant fact must be faced realistically sooner or later that neither the Taft-Hartley Act, nor any other expedient which forces production up beyond the market's absorptive capacity, can offer more than a temporary solution for an industry afflicted with creeping paralysis. It should be evident to all, even John L. Lewis, that there are too many coal mines and too many coal miners, and that the imbalance is bound to grow worse under Lewis's monopolistic tactics.

* * *

If left to the free working of the law of **Supply** and **Demand,** high cost producers would be eliminated, efficient mines would have an incentive to lower costs still more than they already have done, prices would come down, supply would become relatively dependable, and the market for coal would expand gradually.

* * *

Owing mainly to a drop of 20% in income from agriculture, **Personal Incomes** for December suffered an overall decline of 2 1/2% from a year earlier though non-farm income managed to show a gain of 0.1%.

* * *

Partly reflecting lower prices, manufacturers' shipments last year averaged 6% below 1948. Year-end **Inventories** showed a 13% shrinkage in book value, with durable goods off 13%, but nondurables down only 5%.

* * *

Expenditures on new **Construction** last month were the largest for any January in history and 16% above a year ago. Private expenditures for new hospitals were up

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1—np (rb)	Dec.	178	173	192	174
Mining	Dec.	131	141	156	133
Durable Goods Mfr.	Dec.	202	180	231	220
Non-Durable Goods Mfr.	Dec.	174	177	173	151
CARLOADINGS—t—Total	Feb. 4	612	636	682	833
Manufactures & Miscellaneous	Feb. 4	322	327	329	379
Mdse. L. C. L.	Feb. 4	82	81	93	156
Grain	Feb. 4	40	40	38	43
ELEC. POWER Output (Kw.H.)m	Feb. 4	6,062	5,972	5,778	3,267
SOFT COAL, Prod. (st) m	Feb. 4	6.5	7.5	11.4	10.8
Cumulative from Jan. 1	Feb. 4	34.4	27.8	56.8	446
Stocks, End Mo.	Dec.	45.1	45.8	69.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 4	4.9	4.9	5.4	4.1
Gasoline Stocks	Feb. 4	127	124	117	86
Fuel Oil Stocks	Feb. 4	55	57	61	94
Heating Oil Stocks	Feb. 4	64	66	60	55
LUMBER, Prod. (bd. ft.) m	Feb. 4	401	484	467	632
Stocks, End Mo. (bd. ft.) b	Dec.	7.3	7.3	7.1	12.6
STEEL INGOT PROD. (st.) m	Jan.	7.90	7.72	8.18	6.96
Cumulative from Jan. 1	Jan.	7.9	77.9	8.2	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Feb. 9	142	161	131	94
Cumulative from Jan. 1	Feb. 9	1,218	1,076	909	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 4	249	179	220	165
Hosiery Production (pairs)m	Nov.	167	163	136	150
Footwear Production (pairs)m	Nov.	33.6	38.2	34.7	34.8
Cigarettes, Domestic Sales—b	Dec.	24.7	29.7	24.9	17.1
Do., Cigars—m	Dec.	386	508	440	543
Do., Manuf'ct'rd Tobacco (lbs.)m	Dec.	16.5	19.3	16.4	27.6

PRESENT POSITION AND OUTLOOK

150% from a year ago and those for residential dwellings were up 37%; but new industrial plant building was down 37% and commercial building 11%. Public construction rose 24%, including a leap of 175% in publicly sponsored housing.

* * *

Rail equipment builders were cheered by new orders for 9,400 **Freight Cars** booked last month but, still hampered by delayed deliveries of steel caused by last year's October strike, shipments during January sank to a new post-war low of 2,400 units. The combination of smaller deliveries and good bookings raised the backlog of unfilled orders by 7,000 during the month, the steepest rise in over two years.

* * *

Shipments of refined **Lead** in December slumped to the lowest level in months, raising stocks to 80% above the end of 1948.

* * *

Motor Vehicle output in the week ended February 18 came to around 117,500 units compared to 95,557 units in the preceding week. The Chrysler strike and the coal situation are currently responsible for the production loss of about 40,000 vehicles weekly. Despite the production curtailment, however, the one millionth vehicle of 1950 should come from the assembly lines during the current week.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cd1b—Commerce Dept. (1935-9—100), using Labor Bureau and other Data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted Index (1935-39—100). lb—Labor Bureau. lb2—Labor Bureau (1926—100). lb3—Labor Bureau (1935—100). lt—Long Tons. m—Millions. mpt—At Mills, Publishers, and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np.—Without Compensation for Population growth. pc—Per Capita Basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge Accounts. st—Short Tons. t—Thousands. *—1941; November, or Week ended December 6.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

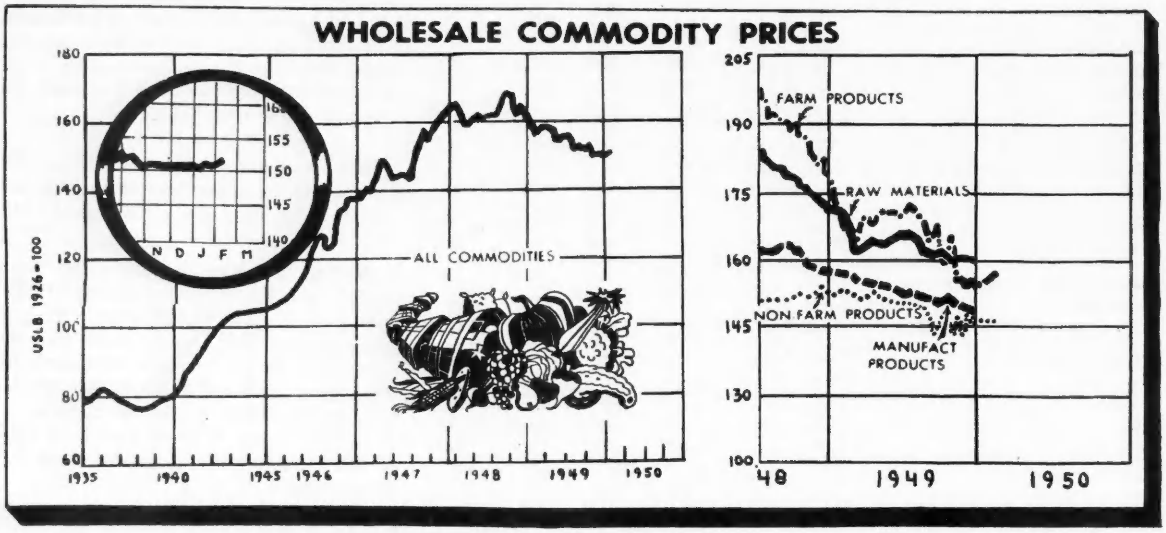
No. of Issues (1925 Close—100)	1949-50 Indexes High	Low	Feb. 4	Feb. 11
325 COMBINED AVERAGE	141.9	108.0	141.9A	140.5
4 Agricultural Implements	207.5	162.1	201.3	198.6
10 Aircraft (1927 Cl.—100)	187.7	138.2	181.5	187.7A
6 Air Lines (1934 Cl.—100)	495.1	366.1	480.6	469.3
7 Amusement	104.4	75.7	104.4A	87.6
10 Automobile Accessories	205.4	145.2	198.5	201.9
12 Automobiles	31.0	21.3	31.0A	29.8
3 Baking (1926 Cl.—100)	23.3	18.1	23.3B	22.6
3 Business Machines	261.0	209.0	266.7	261.8
2 Bus Lines (1926 Cl.—100)	174.6	118.3	165.7	174.6B
5 Chemicals	273.7	212.7	266.7	261.8
3 Coal Mining	19.2	11.2	13.7	13.3
4 Communication	47.7	31.8	47.7A	47.4
9 Construction	63.6	47.4	63.6A	62.5
7 Containers	326.3	240.7	326.3A	321.1
9 Copper & Brass	95.8	67.4	85.7	84.1
2 Dairy Products	74.5	53.3	73.8	74.5C
5 Department Stores	61.2	49.2	61.0	59.7
6 Drugs & Toilet Articles	195.9	141.6	195.9B	192.6
2 Finance Companies	344.4	246.1	344.4N	338.6
7 Food Brands	180.9	146.0	179.9	177.2
2 Food Stores	102.3	58.5	100.8	102.3R
3 Furnishings	78.8	54.7	78.8A	76.4
4 Gold Mining	795.1	566.3	714.5	728.0

(Nov. 14, 1936 Cl.—100)	High	Low	Feb. 4	Feb. 11
100 HIGH PRICED STOCKS	88.85	70.88	88.85A	88.20
100 LOW PRICED STOCKS	166.04	119.71	166.04A	159.80
5 Investment Trusts	75.1	53.9	75.1C	73.3
3 Liquor (1927 Cl.—100)	841.8	602.9	824.8	804.5
11 Machinery	152.4	115.9	148.9	147.1
3 Mail Order	112.5	87.1	112.5A	108.8
3 Meat Packing	93.6	63.3	93.5	93.3
12 Metals, Miscellaneous	158.1	122.0	147.0	143.3
4 Paper	41.1	27.9	40.7	40.7
30 Petroleum	255.8	207.1	248.9	242.3
27 Public Utilities	146.5	102.4	146.5C	146.5
5 Radio (1927 Cl.—100)	26.7	13.6	23.4	26.7
9 Railroad Equipment	50.0	36.5	48.7	48.7
24 Railroads	23.8	17.5	23.8A	23.1
3 Realty	32.9	21.4	32.2	31.2
3 Shipbuilding	150.2	120.0	150.2A	148.9
3 Soft Drinks	368.6	298.2	357.5	368.6A
15 Steel & Iron	106.2	77.0	101.9	101.0
3 Sugar	53.6	39.8	51.8	52.1
2 Sulphur	339.9	233.8	339.9T	339.9
5 Textiles	139.9	100.9	139.0	137.8
3 Tires & Rubber	35.7	26.6B	35.3	35.7B
6 Tobacco	87.3	67.1	85.9	85.1
2 Variety Stores	350.2	308.3	350.2C	345.4
19 Unclassified (1948 Cl.—100)	122.2	93.2	122.2A	120.0

New HIGH since: A—1948; B—1947; C—1946; N—1937; R—1930; T—1928.

Trend of Commodities

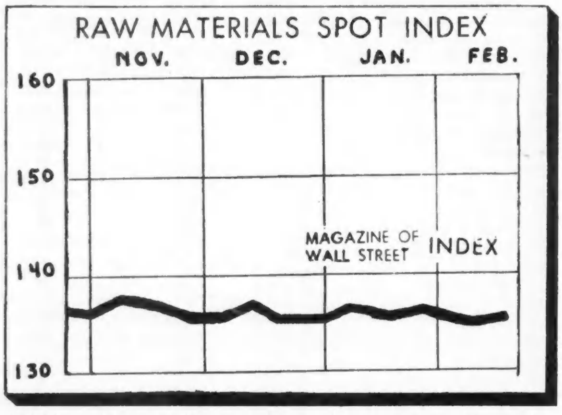
Commodity price indexes, spot and futures, eased off a little during the fortnight ended February 11. Wool extended its advance, helped by announcement that Government support at 90% of parity would be continued through 1950. Cotton continued to rise, despite the possibility that Congress might ease acreage restrictions. Consumption in November was the largest for any month since June, 1948. World production in the 1949-50 season is expected to reach 31 million bales—6% above last year; but still 3% below the pre-war average. Production in the U. S., which accounts for half of the total, is now 22% above pre-war whereas foreign output is still off 20%. California's long and strong fibre is so popular with the mills that only 2% of its record crop of 1.3 million bales is expected to need price support. Total farm production this year is expected to equal last year's record, which was 39% above pre-war 1935-9. Yet farmers' receipts from sales of crops and livestock during January were 10% lower than a year ago. Stocks of wheat, corn and rye in storage on January 1 were the largest for that date on record. Fast rising production efficiency on the farms, especially the large ones, has so reduced the demand for labor that farm population has fallen about 8% in the past ten years, against a growth of 14% for the nation as a whole. The largest exodus from the farm (15%) has been among young people under 25 years of age. The farm population above 44 years of age has remained almost stationary. Meanwhile fertilizer sales have risen 150% within the decade, and electric power use on the farm has about doubled in two years.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — August, 1939, equals 100

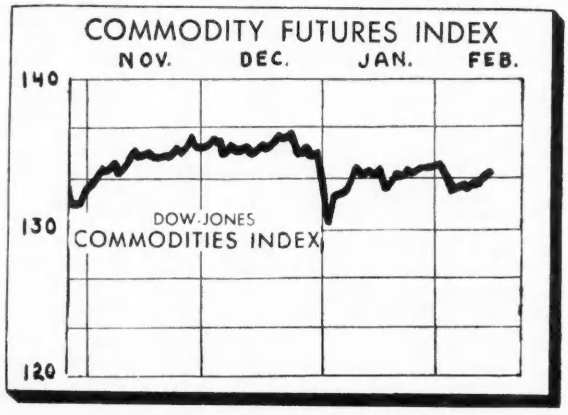
	Date Feb. 10	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	247.1	242.2	250.2	249.5	243.5	273.4	156.9
11 Imported Commodities	252.6	257.7	259.6	264.3	247.2	256.2	157.3
17 Domestic Commodities	243.5	243.9	244.3	240.4	240.6	280.5	156.6
7 Domestic Agriculture	302.9	303.2	300.1	290.0	289.8	291.1	163.9
12 Foodstuffs	308.4	311.3	309.0	297.4	296.9	288.6	169.2
16 Raw Industrials	220.0	222.0	223.0	229.5	218.6	270.7	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0   Dec. 6, 1941—85.0

	1950	1949	1947	1945	1941	1939	1938	1937
High	136.7	161.5	164.0	95.8	85.7	78.3	65.8	93.8
Low	134.2	134.9	126.4	93.6	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1950	1949	1947	1945	1941	1939	1938	1937
High	134.92	139.28	175.65	106.41	84.60	64.67	54.95	82.44
Low	131.21	122.45	117.14	93.90	55.45	46.59	45.03	52.03

Investment Audit of Sperry Corporation

(*Continued from page* 556)

that flying schedules may become as reliable in winter as in summer. That development in itself holds the promise of a revolutionary change for the better in the air transportation industry.

Although closely identified with the aircraft industry, Sperry is less vulnerable to unfavorable developments, such as contract cancellations or obsolescence, than the air frame manufacturers. The company also has the benefit of continuous demand for spare parts, replacement sales, etc. Many types of equipment are suitable for either aircraft or for industrial and marine uses.

Reduced emphasis on naval armament in the last year or two has been reflected in the backlog of orders, but indications point to a reversal in this trend if the Washington Administration adopts an aggressive expansion of our submarine fleet. Defense authorities have proposed construction of a large number of modern submarines of the "Guppy" snorkel type. Equipped with a "snorkel," or metal tube rising to the surface enabling a submarine to draw in air for its diesel engines, the modern underwater boat may remain submerged for considerable periods and defy radar detection. Military authorities contend that the United States Navy must make extensive enlargement of its submarine fleet to be fully prepared.

Sperry has achieved its enviable position as producer of essential equipment largely through intensive research. Development of labor-saving devices and progress in conversion of manual operations to automatic mechanisms go far toward explaining the company's consistent growth. Large sums have been put back into the perfection of new products and engineering "know-how." Development along these lines has been made possible by profit margins after taxes averaging about 20 per cent before the war. It seems doubtful, now that the company has entered more keenly competitive fields such as in farm equipment, that such margins can be expected in the future. Hence it may be logical to expect relatively smaller appropriations for research.

It would not be unreasonable to look for continuance of a rather generous dividend policy. Payments have averaged about 50 to 55 per cent of net income since dividends were inaugurated in 1934. Management presumably would like to maintain distributions at or near $2 a share annually if earnings can be held in the $3.50 to $4.50 a share range under normal conditions. With major policies still determined by executives who have been identified with the company since its infancy, it would appear logical to look for no startling change in the conservative practices which have characterized operations in the last seventeen years. Priced around 26⅝, the stock on basis of last year's $2 dividend yields about 7½ per cent.

Levelling Off in Farm Equipments?

(*Continued from page* 565)

tendency by farmers and dealers to require term credits on their purchases, following a prolonged period in postwar when cash payments were general. Offhand, this shift would create quite a strain on company working capital positions, but ample resources, sales of receivables to banks and finance concerns, and short term borrowings have simplified the problem.

The current situation in this respect is no novelty to the large equipment manufacturers, as in prewar the employment of term credits was widespread. While some losses may naturally result, experience has shown them to be moderate, and most of the companies carry substantial reserves to offset them. Furthermore, the relatively high interest rates imposed tend to widen profit margins so that the trend towards extended credits not only stimulates sales but is also favorably regarded by managements from the profit angle.

The outlook for various concerns in the farm equipment industry varies considebarly according to their trade standing, operating efficiency, diversification policies and other factors. International Harvester Corporation, the dominant unit in the industry, now derives only about 35% of gross revenues from sales of agricultural equipment and parts, an almost equal percentage coming from sales of trucks and parts. Industrial equipment accounted for 8.2%, steel, pig iron and coke by-products for 2.8%, refrigerators 2.7% and binder twine 1.9%.

By this diversification and the fruits of a large modernization program, the company's net income in 1949 rose to $4.36 per share compared with $3.92 in 1948, despite a $37 million decline in volume. In other words, IHC earned 5.5% on sales of $908 million last year against 4.7% on volume of $945 million in the preceding period. As a dip in volume in 1949 was chiefly due to wildcat strikes, limited production in incompleted plants and model changeovers, the results attained attest to excellent cost controls and increased operating efficiency.

A record sales volume, both in units and dollars, of J. I. Case Company last year aided in achievement of a sharp advance in net earnings. Equally, if not more influential in the profit gain were benefits from the completion of a large modernization program that brought many operating economies. While volume of $170.2 million was 10.5% above the previous year, net earnings of $19.86 per share rose 70%. Payment of only $2 per share in dividends during fiscal 1949 lifted working capital to a peak of $47 million. In view of this improved position, the directors declared a year-end dividend of $2.80 per share in the first quarter of fiscal 1950, indicating that total payments in the current fiscal year may be at least $5.80 if advanced quarterly distributions of 75 cents a share hold.

Deere & Company for many years has consistently led the industry as to both operating and net profit margins. Volume of $361 million in fiscal 1949 advanced about 30% over 1948 and the net profit margin widened to 10.9% from 8.9% in the preceding year, resulting in net earnings of $12.42 a share. The financial status of Deere is impregnable with net current assets of $232 million comparing with total current liabilities of $58.8 million. The company carries reserves of $30 million against future inventory losses and contingencies.

The foregoing limited samples illustrate the strong position of a few outstanding leaders in this field, but elsewhere, results have been less outstanding. B. F. Avery, for example, has paid no

dividends since last October. Most of the leading managements, however, express confidence in the 1950 outlook, but confirm our observation that sales and earnings will likely recede in 1950.

Reference to our appended table will reveal that investors have rather liberally discounted the approach of a less profitable period for the industry, as shown by average price-earnings ratios for the nine concerns of only 4.3, and generally high yields. In several instances, though, earnings could recede substantially without impairing dividend stability, a point reflected by a rise of about 25% by the MWS index for the group from the 1949-50 low.

A Study of the Tobaccos — Who Leads in the Competitive Race?

(*Continued from page* 567)

The snuff companies, as usual, have few problems to disturb their traditionally stable operations in 1950. Demand for snuff will likely continue at an annual rate close to 41.4 million pounds. The few leading firms in this division are strongly financed and very competently managed. Annual variations in their earnings seem certain to be moderate, and as in past years their dividend policies should continue to be above-average liberal. American Snuff Company, for example, has paid dividends without interruption since 1903, imparting rather strong investment characteristics to its shares.

The generally recognized stability of the tobacco industry and the liberal dividend policies of the leading firms have created a well sustained demand for their shares among private and institutional investors. Under current market conditions, accordingly, most yields in the group are somewhat lower than for other industrial issues and price-earnings ratios are relatively high. On the other hand, a current return of from 5% to 6.5% is obtainable from some of the sounder stocks in this division and should prove dependable in the foreseeable future . . . With proper selectivity and timing, therefore, conservative investors may acquire some these equities with considerable confidence as to steady income.

Varying Status for Rail Equipments — Looking Ahead Into 1950

(*Continued from page* 560)

year. The same holds true for manufacturers of labor-saving devices such as automatic crossing gates, in view of the increasing determination of the railroads to reduce operating costs as an offset to the 40-hour week.

Pricewise, shares of the railroad equipment group latterly have been doing somewhat better, partly reflecting speculative activity in this formerly laggard group which during 1949, in terms of our group index, showed a decline of 4% compared with a general market advance of 11% as shown by our Combined Average of 325 stocks. The group now has risen about 33% from its 1949 low but is still slightly below last year's high.

True, the rally has come from a low level but whether it is fully justified in the light of foreseeable conditions is another matter. At this writing, the outlook for most concerns in the industry remains highly uncertain and even if orders improve, 1950 earnings are bound to fall below last year's when operations for the most part were supported at a fairly good level by substantial but rapidly dwindling order backlogs. It is a situation that calls for careful selectivity; some concerns may operate satisfactorily, as previously indicated; others may have difficulty in maintaining dividend stability barring a sharp improvement in prospects.

Labor's Struggle with Management — The New Issue for 1950

(*Continued from page* 547)

plan, a slush fund will be created for future union demands, and it could well be a fund to supplement unemployment compensation as a first step toward a guaranteed annual wage program. This assumes that labor continues to confine its efforts to collective bargaining. A different pattern might evolve, should it shift its energy increasingly from the collective bargaining table to the political arena.

For the time being, pensions are the big issue and those who had hoped that it can be settled without strikes are doomed to disappointment. Workers have been striking over such questions as to how pension funds should be set up and who should control them. With many pension plans to be negotiated, there is no reason to assume that the strike trend, upward in 1949, will abate soon. And another strike wave would seriously cripple the recovery trend in business, or intensify any declining tendencies that may appear later. The workers would hardly benefit from this.

Moreover, someone will have to pay for concessions won through strikes or otherwise. Either it is the company which will have to absorb the added cost of stepped-up welfare demands. Usually this means that the stockholder will have to bear his share of the burden. Or else, if the additional cost is passed on in form of higher prices as in the case of steel, the consumer will suffer. Since the former course, in the present competitive environment, in the majority of cases is far more likely than the latter, the stockholder's dilemma is obvious.

The foregoing is not to be construed as a case against broader welfare benefits for the worker. These are desirable and justified, **provided they are economically justified.** Barring the latter, they are dangerous and disruptive, and in the end will benefit no one, least of all the worker. Welfare aims can be soundly pursued only if they do not run beyond the gains in worker productivity as far as pensions are concerned, and if they don't exceed the ability of any given company to assume the financial responsibilities involved. This point, unfortunately, is all too often overlooked. Nor can it be sound, in the long run, for labor to think that it can preempt the lion's share of profits resulting from capital investments made with the stockholder's money, and at his risk. It will merely drive out risk capital, and that way lies the road to nationalization and socialism.

Progress of Economic Readjustment in Latin America

(*Continued from page* 553)

industrial development, combined with equally large expansion of bank credit to finance private investments, brought about a rise in

incomes and prices which in turn resulted in a big demand for imports.

At the same time, agriculture and agricultural processing industries on which Argentina depends for earnings of foreign currencies have been deteriorating. Agricultural equipment is worn out—the country needs, for example, some 450,000 tractors to bring agricultural efficiency to a reasonable level—and farm labor has been trekking to the cities. Thus instead of expanding, agricultural production has been contracting. There would have been considerably less to export if it had not been for the wartime accumulation of some of the products.

Contributed to Inflation

This development, too, contributed to inflation. For a while, the Government subsidized domestic food prices, but since the Government trading agency, the IAPI, seems to be going out of business, the burden of higher prices is being shifted onto the shoulders of consumers. The dropping of gold backing for the peso last August (up to that time, gold and foreign exchange backing of at least 25 per cent against notes outstanding was required) added more fuel to the fires of inflation.

Industrialization slowed

Yet the situation is not without hope. The over-ambitious industrialization plans seem to have been pigeonholed, and the Government is at last trying to build up farm output. The rents paid by tenant farmers were reduced and freight rates on some farm products lowered. A genuine effort is being made to get farm equipment.

The downward adjustment of exchange rates has speeded the liquidation of surplus stocks of hides and other agricultural products, and improved somewhat the supply of much needed foreign exchange. Higher wool prices are also helping. But all these things are not enough in themselves. More "down-to-earth" policies on the part of the Administration are needed if the sweeping inflation is to be arrested.

Argentina still is in the midst of serious economic trouble. Perhaps this is a time to overlook the reasons for this trouble, provided the Peron Administration is ready to apply the brakes and assume a less high-handed attitude toward foreign traders and concerns doing business in Argentina. On the part of this country, more tact and the recognition of the fact that some of Argentina's difficulties are due to the breakdown of triangular trade with Europe may help to clear some of the obstacles to a freer interchange of goods. Argentina needs our tractors and farm implements as never before, and there is no sense of losing this market because some avenue of rapprochement has been left unexplored.

For Profit and Income

(*Continued from page* 569)

high by heavy outlays for new plant over the last couple of years. It may be only moderately above prewar levels. Steel stocks were always highly speculative, due to "prince and pauper" swings in sales and earnings. They have not become less speculative.

As I See It!

(*Continued from page* 537)

Soviets is scarcely cloaked by munificent gifts, and a sober awakening of his people may come sooner than expected. He may then have a tough job in making good his part of the deal, whatever that may precisely call for. There should be ways and means for us to make it tougher.

Corporate Trends for Next Six Months as Revealed by 1949 Annual Reports

(*Continued from page* 544)

ing business. The total compared with $671 million a year earlier. In the first nine months of 1949, exports accounted for about 12% of Bethlehem's total sales but in the final quarter the percentage fell rapidly to $4.1% in reflection of increased foreign output of steel products.

In the chemical group, Hercules Powder Company's earnings from quarter to quarter were exceptionally stable, although a total of $3.60 per share in 1949 was slightly below the $3.99 for 1948. While unit volume expanded, lower prices for naval stores and cellulose products narrowed margins somewhat. How much emphasis is placed on research by this concern is shown by last year's outlays of $4.2 million, equal to about 40% of net earnings. In 1950, Hercules Powder plans to spend somewhat more on construction and modernization than the $7.4 million in 1949. Improved finances and confidence in expanding business induced the management to increase common stock dividends by 16% last year, despite moderately lower earnings.

Volume of Caterpillar Tractor Company in 1949 reached a new high record of $254.8 million, surpassing the peak war volume of 1944. Enlarged sales, combined with operating economies, widened operating margins to 12% compared with 10.3% in the previous year, boosting per share earnings to $4.89 versus $3.66 in 1948. Net of $1.50 per share in the final quarter was the best for the year. Early in the current year, volume was continuing on a level comparable to 1949 and earnings should benefit from completion of the company's large scale improvement program, especially as demand for Caterpillar earth moving equipment shows promise of holding well through 1950.

The temporary recession in home building and business activity in the forepart of 1949 brought sales of Celotex Corporation down 30% below 1948. Demand for insulation boards that represent the major element in the company's business, fell more sharply than roofing and gypsum products. In the second quarter, much reduced volume reached the breakeven point, with a nominal deficit resulting. But thereafter, as our table shows, earnings rose to 35 cents a share in the third quarter and advanced even more impressively to $1.10 in the final quarter. The improvement, though, did not prevent net for 1949 from declining sharply to $1.87 from the 1948 peak level of $7.21 per share. It seems probable that the company's earnings in the current year will level off somewhere about midway between these two extremes.

In similar manner, most concerns in the paper industry experienced sharply reduced demand in the forepart of 1949, in turn reflected by a substantial downtrend in quarterly earnings through midyear, but followed by rapid recovery to an annual rate below boom peaks of 1948 but still sufficient to maintain dividend stability. An interesting sample in this group is Sutherland Paper Company, reporting a 1949 net of $4.62 per share compared with $6.02 in 1948. This strongly entrenched concern managed to expand its volume by 7.3% by aggressive sales activities last year, and lower prices of pulp were beneficial, but temporary inventory losses, lower paper prices and rising wage costs more than offset the advantage of higher volume. At the start of 1950, however, inventory values were about 15% below a year earlier, demand had picked up substantially, working capital had expanded and improved cost controls were bearing fruit—all lending encouragement to operations in the first quarter of 1950.

Appraising Significance of Vast Corporate Expansion to Stockholders

(*Continued from page* 541)

two years, is aimed at strengthening the company's competitive position in relation to Bethlehem Steel and some other companies with eastern plants. The cost may run between $300 and $500 million, according to inofficial estimates. More in the future lies the development of rich iron ore deposits in Venezuela discovered by U. S. Steel in 1948, a welcome addition to the rapidly dwindling ore reserves of the Mesabi range.

Other leading steel companies have kept up with the postwar expansion parade. Bethlehem Steel between 1946-49 spent some $318 million, having at the end of last year about $93 million left for remaining authorized additions and improvements. Annual rated steel capacity was increased from 12.9 million tons in 1946 to an estimated 14.5 million tons at the end of 1949, and pig iron and manganese capacity was stepped up from 9.33 to about 10 million tons. In this case, too, the program included additions and improvements at numerous subsidiary plants, covering the whole range of facilities from raw materials to a host of finished products, and by-products, including also the development of iron ore properties in Venezuela.

Bethlehem's expansion outlays have already begun to pay off. Its 10% increase in profits last year, despite a smaller volume of sales, was evidence of the efficiencies made possible by better plant facilities.

Review of Individual Expansion Programs

A brief review of expansion activities and outlays by other leading corporations might be of interest at this juncture, not the least to the stockholder who frequently is unaware of their size and scope, as well as their potentialities. A number of brief descriptions are presented in the accompanying tabulation, and more detailed analyses are offered in the following paragraphs. Generally, construction of new plants and additions to existing ones have been undertaken from the standpoints of markets, transportation facilities, labor and raw materials supply — all strategic considerations from an operating and marketing viewpoint.

In the building materials field, Johns-Manville undertook one of the most ambitious programs involving outlays of some $60 million between 1946-49, aimed not only at expansion per se but also at cost reduction through general improvement of operating facilities. Apart from about eleven major projects, the program included 3,400 other projects of varying size and it is estimated that it has raised the company's productive capacity, in physical terms, about 35% over what could have been handled in the peak war year of 1942. This program has already begun to bear fruit. Thanks to its benefits, sales and earnings have made a better recovery from the depressed first half of 1949 than was the case with most other building manufacturers.

In the electrical industry, expansion by General Electric has run into big money. Cost of additions between 1940-47 was over $371 million, partly determined by war time requirements. In postwar, between 1946-48 inclusive, the company spent $276 million, an amount that may have been further increased by 1949

outlays. Wherever feasible in this program, the policy of decentralization has been followed in recognition of the social and economic benefits to employees resulting therefrom.

General Electric's postwar expansion was largely completed by the end of 1948 when domestic productive facilities consisted of 127 plants located in 94 cities and 22 states, and containing some 48 million square feet of floor space. This compares with 49 plants comprising some 27 million square feet of floor space in 1940, located in 42 cities and 16 states. Major projects completed last year included facilities for steam turbine and electric generator production at Schenectady, N. Y., and a research laboratory, also at Schenectady. More recently, however, the company's Hotpoint Inc. subsidiary announced plans for a new electric refrigerator plant at Chicago to cost some $12 million, plus its intention to shift all its production of electrical appliances and home laundries to Midwestern plants.

In another field, Armstrong Cork since 1945 has spent some $45 million on new plants and the improvement of old units with the dual purpose of reducing costs and of decentralizing operations by building new units in strategic market areas. The program, largely completed, has already begun to pay off in greater efficiency and lower costs to offset steadily rising prices and wages in recent years. Plant additions and improvements involved a wide range of facilities characteristic of the company's diversified output, which now has eighteen manufacturing plants from coast to coast.

DuPont in 1945 announced an ambitious postwar expansion program calling for 35 important construction projects to provide additional manufacturing capacity and research facilities at various locations. Products involved were nylon intermediates and yarn; cellophane; rayon; plastics; photographic film and paper; seed disinfectants; animal remedies; and pigments, to mention but a few of the principal ones.

In pursuance of this program, the company by the end of 1948 had spent a total of $359.3 million and additional capital outlays will doubtless be reported in the 1949 annual report soon to be issued, though the postwar construction

program was substantially completed by the end of 1948.

In the rayon industry, Celanese Corporation until 1948 has spent a total of $108 million on plant additions and improvements and the latter year marked the substantial completion of the company's postwar program in the United States; the principal item then remaining was the building of a cellulose plant by its Canadian subsidiary, Columbia Cellulose Company, near Prince Rupert, British Columbia.

In 1946 when the company spent $20.5 million, it substantially expanded production from its Texas chemical plant; completed a new plastics plant at Belvidere, New Jersey, as well as a new unit at Narrows, Virginia, for additional production of staple fiber; and constructed a new cellulose acetate filament yarn plant at Rock Hill, North Carolina. Additional major items were completed in 1947 and 1948 when outlays totaled $36.5 million and $41 million, respectively.

Like many oil companies, Gulf Oil Corporation has spent large amounts in postwar to add to plant and related investments. The total thus expended came to around

Expenditures on New Plant and Equipment by U. S. Business

(Millions of Dollars)

	1949				1950
	January-March	April-June	July-September	October-December	January-March
Manufacturing	1850	1880	1690	1710	1520
Mining	190	190	180	170	160
Railroad	360	380	310	290	220
Other Transportation	130	140	130	110	80
Electric and Gas Utilities	680	780	790	900	740
Commercial and Miscellaneous	1260	1290	1260	1250	1110
Total	4460	4660	4360	4430	3820

$525 million in the years 1946-48. In 1946 alone, $105 million were spent for crude oil production properties, pipe line extensions, refinery expansion and improvements, modernization and acquisition of marketing properties and facilities, new tankers and other investments of a capital nature.

During 1947, $180.9 million went for similar purposes but this was topped in 1948 when a total of $239.5 was expended. Needless to say, outlays of such size have greatly expanded the company's facilities and stature. Including 1945 outlays, capital expenditures in the 1945-48 period have aggregated $629 million and partly as a direct result, production and earnings have risen steeply, the latter to a 1948 peak of $13.53 a share.

When speaking of expansion, one should not ignore the tremendous feat accomplished by the Bell System. Responding to urgent demand for telephone facilities, the System last year alone added two million telephones and the overall quality of telephone service was raised to new high levels. To accomplish this, more than one billion dollars was spent to improve and extend the System's plant last year, bringing the total expenditures for new construction since the war to $4,525 millions.

Study of individual expansion programs clearly points to a marked abatement of such expenditures in the year ahead but this hardly means that expansion will henceforth be at a standstill. We have already expressed the opinion that at current rate of capital expenditures, we may have reached, or be close to, the bottom of the downtrend. This purely tentative conclusion finds support in recent surveys of spending intentions. One of them, undertaken by McGraw-Hill, places industry's 1950 spending intentions at $12.4 billion, a decline of 13% from actual 1949 expenditures. Estimates of first quarter outlays by the SEC run about 14% below a year ago; a breakdown by major industry groups is found on the appended table.

Of course, surveys cover only intentions which may change as the business situation develops. But the inducement to install labor-saving machinery is strong and funds are available through depreciation allowances, retained earnings, bank credits and investment markets open to well-established borrowers. Moreover, by no means all postwar expansion programs are completed.

1950 Intentions

The utilities, as last year, are again expected to spend close to $3 billion on capital investments. The steel industry, as already shown, will continue with substantial outlays. The oil industry plans to invest about as much as in 1949. Though there will be a drop in refinery construction, it will be offset by a rise in pipe line construction, mainly for natural gas.

Construction activities generally will remain high, and road builders show more interest in new equipment, the result of heavy highway programs. The recent marked uptrend in the electrical equipment field is due not only to demand by utilities but also by industrial companies for generating and distributing equipment, and other machinery. And recent orders for the heavy machinery industry promise to put a halt to the erosion of backlogs under way in this field for over a year. Also, with the return of competition to the auto market, the automobile industry can be expected to boost capital outlays markedly in the current year, chiefly in connection with model changes.

Altogether, the outlook for business spending at least at this juncture appears hardly as discouraging as some fear it will turn out to be, and it would be premature to see in the declining trend now evident a harbinger of anything like a serious decline in general business. As far as the stockholder is concerned, he has only begun, in most instances, to reap the fruits of past expansion outlays. They will become more evident as the return to normal peace-time activity progresses.

Market Grows Increasingly Vulnerable

(*Continued from page* 539)

conditions. It can be more than offset by the combination of falling exports and reduced outlays for new plant and equipment. Evidently the fight over excise tax revision can drag out for some time, with trade in affected items being hurt considerably in the meanwhile. Revision of the scandalously costly farm-price support program is not in sight before 1951 at the earliest.

Unemployment has reached a new postwar high; and might conceivably have the Administration on something of a spot before the year is out. Its answer, if one had to be produced, no doubt would be to propose make-work programs. We continue to allow in our thinking for a possible test of the vitality of the business structure at some time this spring; and for increasing investment uncertainty about the political outlook as each month takes us nearer to an election in which Mr. Truman, under present plans, will make a fighting, personal campaign for "a co-operative Congress."

This is not the time to expand holdings of common stocks. Maintain the conservative reserves, in cash or equivalent, heretofore recommended.

—Monday, February 20.

BRAZIL WORLD FRONTIER

By Benjamin H. Hunnicutt
D. Van Nostrand Company, Inc. $6.00

Mr. Hunnicutt is uniquely qualified to write this comprehensive and absorbing report on the present and future potential of Brazil. A resident of Brazil for more than forty years, he has enjoyed rare facilities for intimate contact with Brazilians of every social and economic status—and for the appraisal of Brazil's vast economic and social resources. He is one of the few North Americans residing in Brazil to have received the decoration of Commander of the Order of the Southern Cross in recognition of his efforts to promote a more sympathetic understanding between the Brazilian people and the citizens of the United States.

The Magazine of Wall Street's

COMMON STOCK INDEX

1950 Grouping of the 325 Component Issues

H—Component of the 100 HIGH PRICED STOCKS Group (Closing 1949 at above $32\frac{3}{8}$)
L—Component of the 100 LOW PRICED STOCKS Group (Closing 1949 at below $13\frac{1}{4}$)

4—AGRICULTURAL IMPLEMENTS
H—Deere
Int. Harvester
Minn.-Moline
Oliver

10—AIRCRAFT
Boeing
L—Cons. Vultee
L—Curtiss-Wright
H—Douglas
Grumman
Lockheed
L—Martin
L—Nor. Am. Aviation
L—Republic Aviation
United Aircraft

6—AIR LINES
L—Am. Air Lines
L—Braniff
E. Air Lines
L—Pan American
Trans. & West.
United Air Lines

7—AMUSEMENT
Loew's
Paramount Pictures
L—R. K. O.
L—Republic Pictures
20th Century
United Paramount Theatres
Warner Bros.

10—AUTOMOBILE ACCESSORIES
H—Bendix Aviation
H—Borg
Briggs Mfg.
L—Budd Co.
L—Hayes Mfg.
L—Houd.-Hershey
Murray
Stand. Steel Springs
L—Stewart-Warner
Timken-Detroit

12—AUTOMOBILES
H—Chrysler
H—General Motors
L—Graham-Paige
Hudson
L—Hupp
L—Mack
Nash
L—Packard
L—Reo
Studebaker
White
L—Willys

3—BAKING
Continental
L—General
Purity

3—BUSINESS MACHINES
Burroughs
H—Nat. Cash
Rem. Rand

2—BUS LINES
L—Greyhound
L—Omnibus

5—CHEMICALS
Air Reduction
H—Allied Chem.
Com. Solvents
H—du Pont
H—Union Carbide

3—COAL MINING
L—Lehigh C. & N.
L—Lehigh Valley Coal
Phila. & Rdg. C. & I.

4—COMMUNICATION
L—Am. Cable & Radio
H—Am. Tel. & Tel.
L—Int. Tel. & Tel.
Western Union "A"

9—CONSTRUCTION
Am. Radiator
Certain-teed
Crane
Flintkote
H—Johns-Manville
H—Lone Star
Nat. Gypsum
H—Otis Elevator
L—Walworth

7—CONTAINERS
H—Am. Can
H—Container Corp.
H—Cont. Can
Crown Cork
L—Gair
L—Nat. Can
H—Owens-Ill.

9—COPPER & BRASS
Anaconda
L—Bridge. Brass
L—Cal. & Hecla
L—Cons. Copper
L—Gen. Cable
Inspiration
H—Kennecott
L—Miami
H—Phelps-Dodge

2—DAIRY PRODUCTS
H—Borden
H—Nat. Dairy

5—DEPARTMENT STORES
H—Allied Stores
Ass. Dry Goods
Gimbel Bros.
Macy
Marshall Field

6—DRUGS & TOILET ARTICLES
Am. Home Products
H—Colgate
H—Gillette Safety Razor
L—Rexall Drug
H—Sharp & Dohme
L—Zenite

2—FINANCE COMPANIES
H—C. I. T.
H—Com. Credit

7—FOOD BRANDS
H—Best Foods
H—Corn Products
H—Gen. Foods
L—Libby-McNeill
H—Nat. Biscuit
Stand. Brands
L—Stokely

2—FOOD STORES
H—Kroger
Safeway

3—HOUSE FURNISHINGS
Congoleum
L—Servel
Simmons

4—GOLD MINING
L—Alaska Juneau
L—Benguet Cons. Mining
Dome Mines
H—Homestake

5—INVESTMENT TRUSTS
Adams Express
Atlas Corp.
H—Lehman
Transamerica
L—Tri-Continental

3—LIQUOR
Distil.-Seagrams
Nat. Distillers
Schenley

11—MACHINERY
H—Allis-Chalmers
Am. Mach. & Foundry
Bucyrus-Erie
H—Caterpillar
L—Cont. Motors
Foster-Wheeler
L—Gar Wood
H—Gen. Electric
H—Timken R. B.
H—Westinghouse Mfg.
Worthington Pump

3—MAIL ORDER
H—Montgomery Ward
H—Sears Roebuck
L—Spiegel

3—MEAT PACKING
L—Armour
H—Swift & Co.
L—Wilson

12—METALS, MISCELLANEOUS
H—Am. Smelting
L—Am. Zinc
L—Callahan Zinc
Cerro de Pasco
Int. Nickel
H—Nat. Lead
L—Pacific Tin
L—Park Utah
L—Patino Mines
H—St. Jo. Lead
L—Sunshine Mining
Vanadium

4—PAPER
Crown Zellerbach
H—Int. Paper
L—St. Regis
Union Bag

30—PETROLEUM
Anderson Prichard
H—Atlantic Ref.
H—Barber Oil
H—Barnsdall
Chicago Corp.
H—Cont. Oil
H—Gulf Oil
H—Houston Oil
H—Mid-Cont. Pet.
Ohio Oil
L—Panhandle P. & R.
H—Phillips Pet.
H—Plymouth Oil
Pure Oil
H—Richfield
H—Shell Union
Sinclair
Socony
H—S. O. Calif.
H—S. O. Ind.
H—S. O. N. J.
S. O. Ohio
L—Sunray
H—Texas Co.
Texas Gulf Prod.
Texas & Pac. C. & O.
H—Texas Pac. Land Trust
Tide Water Ass.
Union Oil
Warren Pet.

27—PUBLIC UTILITIES
L—Am. & For. Pr.
H—Am. G. & E.
Am. Nat. Gas
Am. Pr. & Lt.
Central & S. W.
H—Cleveland Elec.
L—Columbia Gas
Commonwealth Ed.
Cons. Edison
H—Consumers Pr.
Detroit Edison
Florida Pr.
Gen. Pub. Utils.
L—Int. Hyd. Elec. "A"
L—Laclede Gas
Middle So. Utils.
North American
H—Pac. Gas & Elec.
Penn. Pr. & Lt.
Potomac Elec. Pr.
Pub. Serv. E. & G.
L—South Carolina E. & G.
H—Southern Calif. Ed.
L—Southern Co.
United Gas
Va. Elec. & Pr.
West Penn Elec.

5—RADIO & TELEVISION
Emerson
L—Magnavox
H—Philco
L—R. C. A.
Zenith

9—RAILROAD EQUIPMENT
Am. Car & Foundry
Am. Locomotive
Am. Stl. Foundries
L—Baldwin Loco.
L—Lima-Hamilton
L—Pressed Steel Car
H—Pullman
L—Symington-Gould
Westinghouse A. B.

24—RAILROADS
H—Atchison
H—Atlantic Coast
L—B. & O.
Canadian Pac.
C. & O.
L—Chic. & N. W.
L—Chic., Mil., St. P. & Pac.
D. & H.
L—D., L. & W.
L—Erie
H—St. Nor., Pfd.
L—Gulf Mobile
H—Ill. Cent.
H—Kansas City So.
L—Lehigh Valley
L—M. K. T.
L—N. Y. Central
Nor. Pac.
Pa. R. R.
L—St. L. San Fran.
Seaboard Air Line
H—So. Pac.
H—So. Ry.
H—Union Pac.

3—REALTY
L—Equitable
L—Gen. Realty
L—Sheraton

3—SHIPBUILDING
Elec. Boat
N. Y. Shipbldg.
Sperry

3—SOFT DRINKS
L—Canada Dry
H—Coca-Cola
L—Pepsi-Cola

15—STEEL & IRON
Alleg.-Ludlum
Armco
Beth. Steel
Blaw-Knox
Colo. Fuel
Crucible
L—Follansbee
L—Gt. Nor. Ore
Interlake
Jones & Laugh.
H—Nat. Steel
Republic Stl.
H—U. S. Pipe
U. S. Steel
H—Youngstown S. & T.

3—SUGAR
Am. Crystal
Cuban-American
West Indies

2—SULPHUR
H—Freeport
H—Texas Gulf

5—TEXTILES
H—Am. Viscose
Am. Woolen
Burlington Mills
H—Celanese
L—United M. & M.

3—TIRES & RUBBER
H—Goodrich
H—Goodyear
H—U. S. Rubber

6—TOBACCO
H—Am. Tobacco
H—Liggett & Myers
Lorillard
H—Phillip Morris
H—Reynolds "B"
L—Webster

2—VARIETY STORES
H—Kresge (S. S.)
H—Woolworth

19—UNCLASSIFIED
L—A. T. F.
L—Avco
H—Cont. Insurance
L—Curtis Publishing
H—Eastman Kodak
H—Libbey-Owens
L—Marine Midland
L—Martin-Parry
National Supply
L—Newport Industries
L—Pittsburgh Screw
H—Procter & Gamble
L—Savage Arms
L—Shattuck (F. G.)
L—So. Am. Gold & P.
L—Sparks-Withington
Stone & Webster
L—United Cigar-Whelan
H—United Fruit